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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

**DECENTRALIZATION: FINANCE AND MANAGEMENT
PROJECT**

USAID Contract No. DHR-5446-Z-00-7033-00

MID-TERM REVIEW

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**DECENTRALIZATION: FINANCE AND MANAGEMENT
MID-TERM REVIEW**

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DECENTRALIZATION: FINANCE AND MANAGEMENT

MID-TERM REVIEW

EXECUTIVE SUMMARY

The Decentralization: Finance and Management (DFM) Project was conceived as a centrally funded activity of the Office of Rural and Institutional Development in the Bureau of Science and Technology (ST/RD) of the United States Agency for International Development (A.I.D.). The project was designed to bring together a number of distinct yet related strands of development research and application into one coordinated activity. Specifically, public choice, public finance and "new institutional economics" were all to be woven together under the umbrella rubric of institutional analysis (IA) as an approach to explain and guide development. Within the IA ambit and its three components, DFM was designed to focus on common property resource (CPR) management, local resource mobilization (LRM) and institutional incentives. In substantive terms the initial concentration was to be on rural infrastructure, specifically roads and irrigation, with the expectation that the project would eventually turn to new sectors in addition.

More so than with most other Science and Technology Bureau projects, DFM has had a dual purpose: to provide project-specific technical assistance (TA) to field missions (USAIDs) and at the same time build an analytical approach that would have a significant impact on development thought and policy within A.I.D. circles as well as in the wider community of development thinkers and practitioners. The expected project outputs reflected DFM's dual purpose, calling for considerable analytical writing, workshop presentations and the like on the one hand, and field project support in some eight less developed countries (LDCs) on the other. In three "demonstration" countries, DFM's TA was to be long-term, while in the remaining five it was to be short-term "support" activity relating to specific mission project needs.

A contract was signed to begin the project in September 1987 (though actual project work did not commence until March 1988) between A.I.D. and the principal contractor, Associates in Rural Development (ARD), located in Burlington, Vermont. There have been two subcontractors, the Workshop in Political Theory and Policy Analysis at Indiana University, in Bloomington, Indiana, and the Metropolitan Studies Program at the Maxwell School of Public Administration, located at Syracuse University in Syracuse, New York. The funding for the initial five-year period was to be \$8.3 million of which \$3.5 million was to be provided as core funding by ST/RD and \$4.8 million was to be provided through mission and

other central AID/W bureau buy-ins. The contract also made provision for a possible two-year extension.

The present mid-term review results from a two-month study by a two-person team (a political scientist who was team leader and a development economist). The team reviewed written materials and interviewed A.I.D. staff in Washington, and made two field trips, one to see DFM contractors and the other to visit USAID missions in Nepal and Indonesia, both of which have been major DFM buy-in consumers.

Thus far, DFM has provided significant TA to seven USAID missions: Nepal, Indonesia, Bangladesh, Cameroon, the Philippines, Zaïre and Mali. As for sectoral activity, DFM has worked in roads, irrigation, forestry, LRM, decentralization and parastatal marketing reform. In addition, it has lined up three future assistance efforts, one in Niger, a second in Madagascar and the third a three-country effort in Côte d'Ivoire, Ghana and Nigeria. For these countries, DFM will add environmental management and public service delivery systems to its sectoral repertory.

Findings

In general terms, the review team finds the DFM project to have been largely successful in its work to date. It has provided short-term TA to seven USAID field missions, to most of them for more than one project and/or sector of activity. The TA provided has been regarded (with reservations from a few mission "consumers") as well done, professionally sound and highly useful.

The long-term, "demonstration country" applied TA that was envisioned in DFM's PP and contract did not materialize as anticipated, partly because of initial miscalculations on ST/RD's side and partly because USAID missions proved reluctant to provide the buy-in funding needed. But after a longer exposure period, it now appears that two of the three anticipated long-term buy-ins are in prospect.

The absence of long-term buy-ins has meant that DFM has not been able to test its approach under prolonged field conditions. It has been able to compensate for the absent buy-ins in part, however, by drawing on the long experience of its senior staff, by using short-term TA to augment the project's theoretical base and by employing the fruits of on-going non-DFM research work to enrich the project.

DFM is on its timetable (perhaps even ahead of it, depending on how one counts) for producing general analytical material. A Prologue, SOAP and three sector papers have emerged, with the SOAP presently under review from a major academic publisher and one sector paper accepted. In addition, a theoretical article is slated to appear in a major academic journal.

As for disseminating and publicizing its work, DFM has produced two newsletters thus far, and individual researchers have given an impressive number of seminars, lectures and presentations to a variety of audiences in which they have presented DFM's findings. One country-oriented workshop has been held in Nepal, with one more general workshop planned on governance for September 1991.

Starting with a concentration on rural infrastructure, DFM has now expanded its sectoral focus to include natural resource management (forestry and environment) and policy reform assistance (agricultural commodity marketing reform and service delivery systems).

Perhaps the most challenging task for DFM has been to carry on a bridging effort between the two development communities that would provide project-oriented TA to USAID field missions and at the same time produce state-of-the-art theoretical analysis. This it has done and in such a fashion as to satisfy most of those involved, though with some misunderstandings along the way.

Not explicitly stated in the contract, but implied in the development of DFM from the beginning has been the idea that the project should interest development thinkers and practitioners in using the IA approach. There has been some success in this area, but for the most part USAID mission consumers and host country development professionals appear to have seen DFM as a useful repository of project-specific expertise, rather than as a general method for understanding development issues and formulating development policy. But then IA is a method, not a blueprint or technique to be applied exclusively to a given sector, like training-and-visit or family planning. Accordingly, persuading people of its efficacy is a difficult task. But DFM has shown IA to be a method worth spreading, so efforts in that direction should be continued.

Issues

There are also a number of issues that have emerged during DFM's first three-plus years. A brief analysis of each follows, along with recommendations where appropriate.

1. *Theory vs. application.* A central assumption of DFM was that theory-oriented academics and project-driven USAID missions could develop a synergistic relationship. In some cases such as Cameroon, this appears to have happened, while in others like Nepal it seems not to have occurred. The reasons for such outcomes are many, but understanding on each side about what motivates and constrains the other is central.

2. *The initial project focus on rural infrastructure.* This has been seen by some as a problem, channeling DFM's attention into avenues that now have a lower priority at AID/W than in the past. Given the A.I.D. environment at the beginning of the project, however, the review team finds this focus to have been a reasonable choice, both because USAIDs evidenced most interest in this direction and because analytically irrigation and roads represented respectively what are probably the "cleanest" or most straightforward and the most difficult CPR sectors to deal with. Experience with these two areas has given DFM a better purchase to deal with the newer realms such as marketing reform and public service delivery into which it is now moving.

3. *Delayed long-term buy-ins.* The PP envisioned these as "the heart of the project," but ST/RD's expectations here proved to be unrealistic. In DFM's first three years there were no takers for long-term buy-ins. One explanatory factor has been an apprehension at USAIDs that it is bad practice to use the same consultant to both design an activity (which DFM did in several cases) and then also implement it. Second, there has also been concern over a \$250,000 buy-in threshold that some missions have seen as a barrier, though this is quite possibly a misinterpretation of A.I.D. procurement rules. And third, missions have worried about control over TA passing to consultants with long-term work. To overcome these problems has taken much persistence as well as networking, but now in DFM's fourth year, two long-term buy-ins have materialized (in Cameroon and Zaïre), and so there should be ample opportunity to field test the IA approach.

4. *Missing buy-ins and project quality.* How has the absence of anticipated long-term field work affected DFM thus far, particularly in its analytical work? Certainly project experience would have been richer with these buy-ins, but the review team finds that DFM has been able to compensate to a large extent by drawing on the long past experience of the senior staff, utilizing short-term TA to strengthen its analyses, and taking advantage of on-going non-A.I.D.-funded work at the Indiana Workshop to provide the database needed to draw analytical conclusions.

5. *Assessing DFM's efficacy.* If it is to become accepted at a valid approach for understanding and practicing development, IA will have to demonstrate that it works as an approach. To do so will require devising ways to measure IA's effectiveness as an approach to development.

6. *Marketing, outreach, networking.* Few provisions were made in the contract to ensure or permit a concerted marketing effort, and this has proven a weakness of the project. Several steps have already been taken to remedy this problem, but further steps should be taken as well.

7. *Management issues.* Three contracting organizations at widely separated sites have presented some problems in project management, but these have been dealt with reasonably well, particularly between ST/RD and ARD, the main contractor. Relationships and understanding between ST/RD and the two subcontractors could be improved, however, for each appears to have some difficulty in grasping what are the problems and constraints the other faces.

8. *Dissemination and persuasion.* DFM finds itself facing four distinct audiences: A.I.D. (both AID/W and the USAIDs); host country officials; the international donor group beyond A.I.D.; and the scholarly community. Different approaches are needed for these differing constituencies. If all audiences are to be effectively reached, a multifaceted dissemination effort is required, consuming sizable amounts of project funds and core researcher time.

9. *Democratization, environment and a changing A.I.D. focus.* While DFM's original charge to focus on issues of public choice and public finance remain valid and can expect widespread USAID mission interest for buy-in support, DFM is in an excellent position to respond to the Agency's existing environmental and new democracy initiatives. It brings the linkage between democracy and economic development into the heart of its work, for the activities it supports are those that build democratic and pluralistic institutions.

10. *Extending the DFM contract.* DFM was envisioned as a seven-year endeavor in its PP, but in the contract signed with ARD it is laid out as a five-year enterprise. Before too long, decisions must be made at AID/W whether to continue DFM for another two years, and if so whether to extend the present contract with ARD or to compete the remaining two years.

In the considered view of the DFM evaluation team, the project has done impressive work in the rural infrastructure sectors in which it began operating. Now it has moved into rewarding new terrain with its broadened focus on natural resource management and structural adjustment policy. These new areas are sufficiently promising that two more years will not be merely a continuation of what had been done earlier but will represent added dimensions that should enrich the project's contribution to development knowledge. The review team concludes that DFM should be continued for two more years. It further believes that the present contractor group is uniquely qualified to undertake a project extension, because not only has it demonstrated a capacity to undertake the IA work but it also has pioneered the IA approach itself.

Recommendations

The DFM review team's recommendations are grouped below into four areas: life of the project, project focus, management and dissemination.

Life of project:

1. *DFM should be continued for the remaining two years contemplated in the PP, and the present contractor should be given the extension.*

Project focus:

2. *DFM should maintain a focus on rural infrastructure while continuing to expand into new sectors of inquiry, especially natural resource management and policy reform.*
3. *ST/RD should begin dialogue with other central and regional bureau offices to explore buy-ins, for instance with ST/FENR regarding A.I.D.'s environmental initiatives, or APRE in connection with the Agency's democracy strategy, especially if a two-year extension of DFM is undertaken.*
4. *DFM should develop instruments to measure the efficacy of the IA approach, now that long-term buy-in activity is in immediate prospect. Further, DFM should devote concerted efforts to drawing together the experience acquired from its "support country" activities as it moves toward its final written outputs.*

Management and marketing:

5. *A roundtable meeting should be held at least twice a year, involving staff from ST/RD, ARD and the two subcontractors, in order to facilitate a smoother working relationship between all parties.*
6. *An enhanced marketing effort should be undertaken, especially if DFM is extended. Specifically:*
 - (a) *The project officer should undertake a more coordinated and concerted networking effort with bureau and mission officers;*
 - (b) *ARD should prepare a short "glossy" brochure for wide distribution within bureaus and missions; and*
 - (c) *DFM should explore allocating core funds for reconnaissance to missions identified as likely buy-in candidates.*

Dissemination:

7. *Increased efforts to disseminate the IA approach should be taken up through seminars, conferences and workshops.*
8. *Renewed and intensified efforts should be made to spread IA to host country officials and scholars through "team-building" and increased operational training activities connected to DFM's TA work.*
9. *ST/RD and DFM should jointly explore the project's potential to offer a short or medium training course in IA through the Indiana Workshop for A.I.D. officials and/or host country officials and scholars.*

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ABBREVIATIONS & ACRONYMS

A.I.D.	United States Agency for International Development (including AID/W and all USAIDs)
AFR/DP/PPE	Africa Bureau/Office of Development and Planning/Policy Planning and Evaluation Division
AFR/SWA	Africa Bureau/Sahel and West Africa Office
AID/W	USAID central offices in Washington, DC
APRE	Asia and Private Enterprise Bureau
ARD	Associates in Rural Development, Burlington, VT
ARDO/Nepal	Agriculture and Rural Development Office, USAID/Nepal
BDG	Bangladesh Government
CDSS	Country Development Strategy Statement
CEDA	Centre for Economic and Development Analysis (Nepal)
CIDA	Canadian International Development Agency
CILSS	Comité Inter-Etats de Lutte contre la Sécheresse dans le Sahel
CPR	Common property resource
CPRM	Common property resource management
DA	Development Assistance
DFM	Decentralization: Finance and Management [Project]
FFW	Food for work
FRMIP	Feeder Road Maintenance and Improvement Project, (Bangladesh)
FSSRP	Fertilizer Subsector Reform Program (Cameroon)
GDP	Gross Domestic Product
GOI	Government of Indonesia
GON	Government of Nepal
GOP	Government of the Philippines
GRM	Government of the Republic of Mali
IA	Institutional Analysis
IFFD	Integrated Food for Development [Project], (Bangladesh)
IMC	Irrigation Management Centre (Nepal)
IMP	Irrigation Management Project (Nepal)
LDAP	Local Development Assistance Project (Philippines)
LDC	Less developed country
LGU	Local government unit
LOP	Life of project
LRAP	Local Revenue Administration Project (ST/RD)
LRM	Local resource mobilization

NGO	Non-governmental organization
NSF	National Science Foundation
OECD	Organization for Economic Cooperation & Development
PDE	Project Development & Engineering Office (USAID/Dhaka or Project Development & Evaluation Office (USAID/Yaoundé)
PID	Project identification document
PP	Project paper
PRAMS	Program for Reform of the Agricultural Marketing Sector (Cameroon)
PVO	Private voluntary organization
RRMS	Rural Roads Maintenance Systems (Indonesia)
SAP	Structural Adjustment Program
SIFAD	[Donor Task Force on] Strengthening the Institutions for Food Assisted Development (Bangladesh)
SOAP	State-of-the-art paper
ST/FENR	Science & Technology Bureau/Office of Forestry, Energy and Natural Resources
ST/RD	Science & Technology Bureau/Office of Rural and Institutional Development
SWA	Sahel & West Africa Office (of USAID's Africa Bureau)
T&V	Training & Visit system
TA	Technical assistance
TRP	Transport Sector Reform Project (Zaire)
UAC	Upland Access Component (Philippines)
USAID	United States Agency for International Development
USAID/Bomako	USAID mission in Mali
USAID/Dhaka	USAID mission in Bangladesh
USAID/Jakarta	USAID mission in Indonesia
USAID/Kathmandu	USAID mission in Nepal
USAID/Kinshasa	USAID mission in Zaire
USAID/Manila	USAID mission in the Philippines
USAID/Yaoundé	USAID mission in Cameroon
USAIDs	USAID field missions (in the plural)

DECENTRALIZATION: FINANCE & MANAGEMENT

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I. INTRODUCTION

Background

As conceptualized at its outset in 1987, A.I.D.'s Decentralization: Finance and Management (DFM) Project was intended to bring together a number of distinct yet related strands of development research and application into one coordinated activity that would have a significant impact on development thought and policy within A.I.D. circles as well as in the wider community of development thinkers and practitioners.¹ Public choice, public finance, new institutional economics and institutional analysis had all found a place as approaches to development theory and policy by the mid-1980s, and there had by that time emerged a number of efforts to apply them to the substantive spheres of local resource mobilization and common property resource management. It had become clear that considerable similarity existed among these various approaches and sector activities. Could an interaction among them be mutually helpful, even synergistic in advancing the state of development policy thinking? It seemed appropriate for the Science and Technology Bureau's Office of Rural and Institutional Development (ST/RD) to initiate an A.I.D. project to pull these elements together into a productive whole, and thus was created the DFM Project.

The project builds on the wealth of general experience gained from A.I.D. and other donor projects supporting decentralization and rural public goods and services provision in less developed countries (LDCs) and ST/RD's particular experience in these areas through its Rural Development Participation (RDP), Decentralization Performance Management (DPM) and Local Revenue Administration (LRAP) projects. Previous efforts supporting rural public goods and services provision and decentralization had sought to strengthen the administrative structure and technical

¹ Following current practice, the abbreviation A.I.D. will be used in this report to denote the entire Agency for International Development, while the term USAID (or USAIDs in the plural) will refer to the field missions. Particular field missions will be denoted by city name (e.g., USAID/Jakarta), while the Washington headquarters will be labeled AID/W.

capacities of sub-national governments, and to directly finance and provide public goods and services infrastructures.

But there was much that remained to be done. Efforts to strengthen sub-national governments have often as not increased central government domination over local decisions and revenue sources, while public goods and services infrastructures provided by donors and central governments have as a rule fallen into disrepair well in advance of their projected useful life for lack of timely and appropriate maintenance. Common property resources have all too often fallen victim to the "tragedy of the commons". A new project, it was believed, could build on what had been learned from earlier efforts and remedy some of the shortcomings in development policy and projects that they had revealed.

A contract was signed to begin the project in September 1987 (though actual project work did not commence until March 1988) between A.I.D. and the principal contractor, Associates in Rural Development (ARD), located in Burlington, Vermont. There have been two subcontractors, the Workshop in Political Theory and Policy Analysis at Indiana University, in Bloomington, Indiana, and the Metropolitan Studies Program at the Maxwell School of Public Administration, located at Syracuse University in Syracuse, New York. The funding for the initial five-year period was to be \$8,310,730 of which \$3,484,280 was to be provided as core funding by ST/RD and \$4,826,450 was to be provided through mission and other central AID/W bureau buy-ins. The contract also made provision for a possible two-year extension.

Something more than three years have elapsed since the beginning of DFM, and it has now come time for a mid-term assessment of the startup phase of the five-to-seven year enterprise. This report represents such a review.

Methodology

The present report results from a two-month effort on the part of a two-person team, consisting of a political scientist (who served as the team leader) and a development economist. The review team examined project papers, studies, files and reports, and interviewed a large number of A.I.D. professional personnel at their offices in Washington. The voluminous DFM project outputs in the form of reports and analyses may be mentioned here in particular, as well as the impressive number of A.I.D. staff who have had some relationship to the project, and with whom it was fruitful to meet.

The team undertook one trip to visit ARD, the principal contractor, at its offices in Burlington, Vermont, as well as the Indiana Workshop at its location on the campus of Indiana University. Fortunately, the principal investigator from the Maxwell School, which has been the other subcontractor, was able to visit the Indiana site at this same time, so the review team was able to interview him at some length as well. The team then visited two USAID missions that had subscribed for significant

buy-ins of DFM expertise, in Nepal and Indonesia, where its members looked at reports and files, and talked with USAID staff and host country professionals that had worked with DFM activities. In addition, the team designed a questionnaire to be cabled to missions utilizing DFM assistance, which it followed up with telephone calls as appropriate.

Finally, the team spent considerable time digesting all this material, assessing its significance, discussing its reactions and writing this report.² The fact that DFM is at the same time providing specific, project-related technical assistance (TA) to USAIDs and assembling a broad-based theoretical edifice in development theory has made this review more daunting than what might be expected in the course of a more customary mid-term project evaluation, but the combination of application and theory has made the review considerably more intellectually exciting as well.

An overview

The review begins with a very concise account of DFM's initial aims, conceptual base and assumptions, as well as of its anticipated activities. It next turns in section II to a brief consideration of the project's achievements to date, and then section III deals with more general issues pertaining to the project as a whole. Among them are:

- (1) the interface between the research orientation of the contractors (as well as ST/RD) and the applied project orientation of the USAIDs who have been the principal DFM consumers;
- (2) the initial decision to focus DFM on infrastructure maintenance and within that compass to concentrate on roads and irrigation;
- (3) DFM's achievement in attracting short-term USAID mission buy-ins as contrasted with its lack of success in finding long-term buy-ins;
- (4) the quality and results to date of DFM's analytical research in the absence of the experimental field testing that was to constitute the long-term buy-ins;
- (5) the need to establish measurement criteria that can be used to assess how well IA in fact works as an approach to development;

² For a list of the persons interviewed by the evaluation team, see Appendix A to this report. A bibliography is appended as Appendix C, and the questionnaire for USAIDs will be found as Appendix D.

- (6) endeavors to "market" DFM to USAID missions, by ST/RD and the contractors;
- (7) project management coordination between ST/RD and ARD, as well as between ARD and the two subcontractors at Bloomington and Syracuse;
- (8) dissemination of DFM's findings and methodology, and training;
- (9) USAID's new democratization initiative and its possible relationship to DFM; and
- (10) the question of extending DFM for two further years as contemplated in the PP.

A fourth and final section sums up the review team's findings and recommendations.

The conceptual background

The conceptual approach utilized by DFM derives from an integration of the theoretical literatures of the new institutional economics, institutional analysis, public finance and public choice. While these distinct streams of analysis have been fruitfully applied to development issues, prior to this project's inception no systematic effort has been undertaken to integrate them into a productive and hopefully synergistic whole. A primary objective of the DFM project is to advance the "state-of-the-art" of development theory and practice by undertaking such a synthesis.

Known most conveniently as "institutional analysis" (IA),³ DFM's central approach to development has its primary origins in the public choice theory developed at the Workshop in Political Theory and Policy Analysis by Vincent and Elinor Ostrom over the last three decades. More recently researchers at the Workshop and elsewhere have combined their public choice work with a number of strands emergent in what is commonly called the "new institutional economics." The result is an analytical mode possessing several characteristics, most notably:

- (a) a focus on the production (i.e., creation) and provision (i.e., delivery) of goods and services to the consuming public;

³ This term is used to denote the whole assemblage or "bundle" that constitutes the DFM approach, even though it is itself one of the foundational strands on which that approach is built. Such a usage makes sense because of the large role that the Indiana Workshop has played both in developing IA historically and in putting together the intellectual edifice of DFM. In this review the term IA will be used to refer to the DFM approach as a whole.

- (b) a conviction that consumers are the best decision makers as to what goods and services should be offered;
- (c) a belief that individuals are the primary social actors (rather than groups) and that they are rational (albeit "boundedly" so inasmuch as they do not possess complete information about their economic environment);
- (d) a concern with institutional incentives as the primary policy tools that can be manipulated to encourage productive and socially useful behavior;
- (e) a particular interest in developing institutional arrangements that will minimize transaction costs to participants in a system and will discourage free-riding, shirking, corruption and rent-seeking behavior in general; and
- (f) a conclusion that just as markets are better than command economies as systems for bringing buyers and sellers together and thereby transmitting the appropriate signals to producers and distributors of economic goods and services, so too decentralized and polycentric polities are superior to top-down bureaucratic structures for bringing citizens and governments together for transmitting signals as to what the former want and what the latter can provide. Meaningful decentralization in an open political system, in other words, is the closest way to approximate the advantages of a market in providing the public goods and services that people need at the local level.

Flowing from this line of thinking, the institutional analysis approach has concentrated on studying and improving incentive structures or rules of behavior so as to maximize responsiveness, accountability and productivity, while minimizing transaction costs, rent-seeking and corruption.

The DFM project has sought to apply IA to the fields of common property resource management (the three-word phrase is abbreviated as CPR and for the full four words CPRM) and public finance. Public choice theory has been used for some time to interpret and analyze CPRM in such sectors as fisheries, grazing, irrigation and forestry (see e.g., PCPRM, 1986); what was to be new for DFM in addition to furthering the state of knowledge about CPRM practices would be the infusion of the policy-oriented "new institutional economics" to evolve field-testable systems for managing CPRs that could be integrated into new and ongoing A.I.D. projects. After much deliberation in composing the DFM project identification document (PID) and project paper (PP), it was decided in the PP to confine DFM's CPR focus initially to a single infrastructural sector, viz. rural roads, on the thought that doing so would ensure a more focused use of DFM energies and at the same time would concentrate DFM assistance in an area then of high priority to A.I.D. (see USAID 1987a: 8-9). In the course of DFM's inception, irrigation became an additional direction of effort,

thereby providing some broadening but still maintaining a rural infrastructure cast to the project. Soon thereafter forestry became a focus as well, with the TA provided to the Sahel and West Africa Office of the Africa Bureau (AFR/SWA). Still, all three sectors fit into the CPR rubric.

The second major side of DFM effort has been public finance, in particular local resource mobilization (LRM). If decentralization was to match up citizen choice with local government policy and lead to greater responsiveness and accountability, then LRM would help pay for what people wanted. LDC governments in general, and the recipients of A.I.D. Development Assistance (DA) funds in particular, tax in the aggregate only a very modest portion of their GDP. At the local level, the public revenues generated are miniscule, with most (often virtually all) funds coming from the central level as grants in aid. The likelihood of such grants increasing in the foreseeable future is in all probability very small at best, so if decentralized local governments are to respond to citizen demands that must be anticipated to grow, they are going to have raise a larger portion of their funding from those that will benefit. And somehow things must be so structured at the local level that the beneficiary population has the incentive to mobilize a good part of the resources that will be needed for local development efforts.

Conceptually, these approaches converge together well. IA can provide the understanding and policy recommendations required to design and implement the CPRM and LRM that will be needed in a decentralization-oriented development program for A.I.D. recipient countries. As such DFM fits in with A.I.D.'s strategic emphases on decentralization, local involvement, local private initiative and subsidy reduction and rural infrastructure maintenance, as noted in the PP (USAID 1987a: 9-10). In Figure 1, the various components of DFM are portrayed conceptually as a bow tie, with public choice/CPRM and public finance/LRM as the two ends and the new institutional economics as the knot tying the two ends together. The tie as a whole thus represents IA.

Assumptions

In addition to the obvious assumption that DFM had a serious contribution to make toward development theory and practice, as outlined just above, there were two critical assumptions made at its outset as to its viability as a project. The first was the logistical assumption that there would be sufficient buy-in demand from USAIDs to justify three long-term DFM applied "demonstration" research activities, as well as at least five short-term "support" activities to USAID missions. The former in particular were thought to be the "heart of the project" in the PP (USAID 1987a: 2).

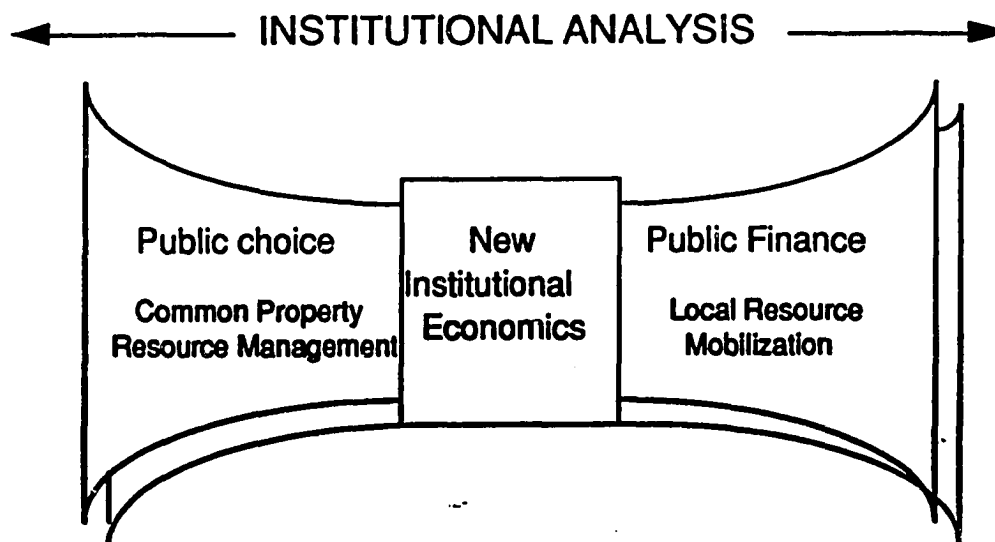


Figure 1

The bow tie of institutional analysis

A second and probably even more crucial assumption was that the systemic needs and agendas of the DFM researchers and the USAID field missions would be sufficiently convergent (or at least complementary) that DFM could furnish practical, project-oriented TA which (a) would be perceived by the missions as being directly applicable during the "life of project" (LOP) to their ongoing portfolio of development assistance efforts and (b) could support the kind of theoretically oriented "cutting edge" research that would be necessary to advance significantly the "state of the art" in international development thinking in the fields of public choice, public finance and the new institutional economics.

With respect to the first assumption, efforts at sounding out the strategic and institutional environments at AID/W and at "premarketing" DFM among USAID field missions led its project committee to conclude that the demand was there for the long-term and short-term buy-ins. Regarding the second assumption about mission/research convergence, there had been considerable emphasis on application in the recent history of the relevant intellectual subdisciplines of public choice, public administration and public finance, which were in any event more oriented toward practical work than many branches of their parent disciplines of political science and economics. Furthermore, the contractors selected to implement DFM had particularly good track records in this regard. ARD had a reputation for providing a sound intellectual grounding to its practical TA, while the Indiana Workshop and the Maxwell School were both well known for directing their academic research interests toward "real world" applications.

II. PROJECT ACHIEVEMENTS

In assessing the DFM project, it must be stated at the outset that DFM's ultimate objective — to significantly advance the state of development thinking and practice — is an ambitious long-term objective. As set forth in the project contract, a three pronged attack was to be used to accomplish this goal.

First, drawing on four theoretical foundations, public choice, institutional analysis, public finance and "the new institutional economics," DFM was to advance the theoretical development of an integrated approach to address practical development problems. Though it was itself one of the original strands being drawn together, institutional analysis has come to be most conveniently known as designating this DFM approach as it has developed.⁴ Initially, the problems of rural infrastructure (particularly roads and irrigation) provision and maintenance were to be addressed. Subsequently natural resource management and other pressing development problems as identified in conjunction with USAIDs' perceived needs and the Agency's emerging policy initiatives were to be taken up.

Second, the theory thus refined was to be field tested and further refined through its application to program design, evaluation and other recurrent technical support activities in five countries, and through in-depth "action research" programs in three demonstration countries.

Third, the project was to draw together the findings from both sets of activities and disseminate them widely to four groups: A.I.D. officers and mission support staff, host country planners and practitioners, the broader international donor community and development scholars.

The specific tasks to be carried out to this end included:

- (1) technical cooperation and applied research activities,
- (2) action research in host countries,
- (3) analytical and operational training in host countries,
- (4) arranging and conducting research and development conferences and workshops in both host and donor countries,

⁴ See note 3 above.

- (5) the preparation and dissemination of state-of-the-art and practical guidance papers for development practitioners; and
- (6) the preparation and publication of scholarly books and articles.

Over its first three-and-a-half years, DFM has realized a number of significant achievements both in terms of accomplishing the specific tasks itemized in the contract and in terms of advancing development thinking and practice, its ultimate objective.

Project Outputs

Technical Support Activities:

DFM has completed some 18 technical cooperation and applied research activities, several of them with multiple components. These activities have served the programmatic needs of six missions and one central bureau. The missions/bureaus, along with the sectors involved are:

- (a) Nepal — irrigation and forestry management;
- (b) Indonesia — roads and local resource mobilization;
- (c) Bangladesh — roads and food assistance;
- (d) Cameroon — coffee marketing;
- (e) Philippines — government decentralization and rural transport;
- (f) Zaïre — roads;
- (g) Sahel West Africa Office (AFR/SWA) — natural resource management and government decentralization.

In addition, it has lined up three future assistance efforts, one to study decentralized service provision in three African countries (Côte d'Ivoire, Ghana and Nigeria), a second to analyze local resource mobilization in Niger and the third to work on environmental management in Madagascar.

A detailed account of DFM's experience in the areas where it has operated thus far is provided in Appendix B to this report, to which the interested reader is referred. Here in the main report, DFM's experience in specific countries will be referred to only as appropriate.

This record is to be compared with the 24 such activities called for over the 5 year life of project (LOP). The project is well ahead of schedule in this respect.

Action Research:

DFM has designed a set of action research pilots for rural roads maintenance in Indonesia, an action research cooperative/parastatal restructuring effort in Cameroon, and several action research activities in Zaïre. Both the Cameroon and Zaïre programs call for DFM's placement of long-term research personnel in the host country concerned, while the Indonesian pilot design calls for a monitoring effort that quite likely will be conducted by DFM core researchers.

Implementation of these activities has yet to begin, placing the project behind schedule on this front. The contract envisioned that implementation of action research in three "demonstration countries" would absorb most of DFM's attention (and finances) during its first three years. This has not come to pass.

While implementation of action research is delayed, the prospects are good that it will transpire, enabling DFM to undertake in-depth field tests of several important theoretical issues. A detailed discussion of (1) the delay in attracting the necessary long-term buy-ins from USAID missions that were necessary to conduct these action-research activities and (2) the implications of this delay on the quality of what DFM has done will be found below in section III (subsection 1).

Analytical and Operational Training:

Multiple analytical training sessions, primarily seminars, have been conducted, primarily in Cameroon, Indonesia, Nepal and Mali (AFR/SWA). Some operational training has been conducted in conjunction with the technical cooperation activities. Training sessions have also been conducted in conjunction with visits to the Workshop by host country officials. In addition, assistance has been provided to facilitate long-term training at the Workshop for one Nepali student and the doctoral research of a second Nepali student has markedly been facilitated by DFM.

Given the contract's specification of nine analytical and eight operational training sessions over its 5 year LOP, the project could be said to be more or less on schedule for this task. However, the analytical and operational training sessions conducted have generally been less encompassing than envisioned in the contract. As a result, the review team finds DFM to be somewhat behind schedule in providing analytical and operational training.

Workshops and Conferences:

DFM has arranged and conducted one workshop in Nepal introducing IA to host country researchers and collaborating with them on the development of a research program applying it. Preparations are well underway for a second workshop for

A.I.D. officers in Washington to explore IA's power to address issues of democracy and governance. The Indiana Workshop is also hosting a workshop this year for irrigation and forestry scholars interested in designing and expanding their databases to facilitate tests of IA hypotheses. While this effort is not directly supported by DFM, one of the DFM core researchers is organizing the enterprise, and its work will aid the project's mission. Finally, the background planning for a possible workshop drawing together DFM's work and findings on rural roads infrastructure has begun.

Four workshops or conferences are called for in the contract placing the project on or ahead of schedule in this respect. In addition, DFM's core researchers have participated in numerous conferences and made presentations to many donor and academic groups.

State-of-the-Art and Policy Guidance Papers:

The project is ahead of schedule with respect to its fifth task, preparing state-of-the-art and policy guidance papers. Three such papers were to have been completed by the end of the project's third year. In fact, six have been completed.

An introduction to the IA approach (Wynne et. al. 1990) lays out the frameworks underlying IA in a manner which makes them readily accessible for DFM teams and other users in the field. In addition, it suggests approaches by which IA's framework can be applied in preparing specific protocols for field research and formulating operational plans for demonstration activities.

A major state-of-the-art paper (SOAP) has appeared (Ostrom et. al. 1990), which reviews experience in LDC rural infrastructure provision and maintenance, highlights problems which existing approaches have been unable to address successfully, and theoretically extends IA to address these problems. Two further SOAPS extend this work to address specifically the roads (Schroeder 1990) and irrigation (Ostrom 1990) sectors. The nature of the two goods concerned, roads and irrigation, represents the opposite ends of the "public goods" spectrum. In the case of irrigation, it is reasonably easy to control access and consumption depletes the good. In the case of roads, access is less readily controlled, and use of the good by one person does not markedly reduce the supply available for others.⁵ By extending IA to these two polar types of rural infrastructure, the approach becomes more readily adaptable to the full range of rural infrastructure goods. This set of papers readily demonstrates the contribution IA can make to solving seemingly intractable problems in rural infrastructure provision and maintenance.

In conjunction with DFM's work with AFR/SWA, DFM undertook a study of donor experience in the management of natural resources in Africa. This study

⁵ See section III, subsection 2, below, for more discussion of this issue.

(Thomson, Waldstein, Gellar and Miner 1989) applies the IA framework to draw lessons detailing options for user-based governance of natural resources. A second component of the work involved the preparation of a manual for development practitioners (especially private voluntary organizations or PVOs), detailing these lessons for project design and implementation; it is being completed. These documents theoretically extend IA to the natural resource sector and, in addition to making the implications practically accessible to development practitioners, demonstrate the ability of IA to advance development thinking and practice.

A seventh theoretical paper is in progress. It brings together the theoretical extension of IA developed in the works mentioned above and DFM's field experience thus far in order to provide practical guidance for designing projects and programs for decentralized provision and production of public goods and services with specific reference to rural roads, irrigation and natural resources management.

In addition to these documents, DFM has published two issues of a Newsletter and will publish a third in May. Beyond describing DFM's activities, the Newsletters offer a first introduction to IA and summarize the key findings and implications of DFM's theoretical work. The Newsletter has been distributed widely to missions and the wider international donor community.

Scholarly Books and Articles:

The project is ahead of schedule with respect to its sixth task, the preparation and publication of scholarly books and articles.

A contract with Johns Hopkins University Press is in prospect to publish a scholarly version of the rural infrastructure SOAP. The Institute for Contemporary Studies in San Francisco has agreed to publish a scholarly version of the Irrigation SOAP. DFM has also contributed to the preparation of a third book, *Governing the Commons*. This book (Ostrom 1990) was published by Cambridge University Press and extends IA more generally to development problems associated with common property resource management.

One article has been accepted for publication and two others are currently under preparation. The completed article (Davis and Ostrom, 1991) will be published by the *International Political Science Review*, a prestigious scholarly journal, and extends IA to the provision and production of education. Of the two articles in preparation, one builds on the roads SOAP and DFM's field work in Bangladesh to test whether roads projects adhering to the principles of IA yield higher benefit-cost ratios. The other focuses on the new institutional economics component of IA as a means to understand problems of rural roads provision and maintenance.

Over the five year LOP, the contract called for the preparation of one scholarly book and four scholarly articles. Progress to date indicates the project will exceed this tar-

get. The payoff here is certainly long-term, in that scholarly thought is slow to change; new ideas require some time to take root. But DFM is off to an excellent start in making its approach and insights available to the international academic community.

Project Impact

DFM has produced an impressive set of outputs thus far. Ultimately, however, it is the impact of these achievements on development thought and policy that will gauge its success. Accordingly, a full and complete accounting of the project's overall effects in this regard cannot take place until several years hence, probably long after the project itself has ended. Some preliminary observations can be made, however, which the review team offers here.

DFM's record on the provision of technical support to missions is excellent. The vast majority of A.I.D. mission personnel queried about DFM's work for them were highly satisfied with the quality and professionalism of the technical support provided them. Concerning the impact of the project's theoretical framework on mission thinking, there is some positive evidence, but less than might have been hoped. Its impact has been greatest, however, where efforts (via seminars, etc.) have been greatest to disseminate IA as an approach.

DFM has had a profound effect on the approach adopted to address development problems in the Cameroon mission. It is clear that an understanding of IA's power has been successfully communicated to a core group of mission officers there. There has been a synergy between DFM's TA activities in Cameroon and its broader research mandate with the Cameroon mission work bringing about the theoretical extension of IA to the area of parastatal restructuring. The IA framework has also influenced operational practices and program design (beyond that directly assisted by DFM) in Indonesia. Several officers in other missions also acknowledged that work by DFM consultants had provided them with new insights. However, by in large, missions have as yet to assimilate and digest DFM's approach. As a result, DFM's technical support is primarily viewed as useful technical assistance rather than a powerful new tool for the solution of a range of development problems.

A very few host country practitioners, those that have had the most intense exposure to IA and/or DFM researchers, have embraced the approach. DFM's work in Nepal has led one host country researcher to seek further long-term training at the Workshop. DFM's work in the Sahel has caught the attention of a number of government officials and has played a role in the selection of decentralization as one of the three priority areas for further study and Sahel-wide policy dialogue by those attending the May, 1989 region-wide roundtable in Segou, Mali. Beyond these achievements, the project as yet has had only a very minimal impact on host country development practitioners.

There is evidence that the project has had a considerable impact on the broader international development community. DFM's work on Common Property Resource Management has stimulated considerable interest. The Club du Sahel Donor Advisory Group has funded a series of studies on decentralization, governance and renewable natural resource management (including user group involvement), which draw on DFM's methodology and tap DFM consultants. The Comité Inter-Etats de Lutte contre la Sécheresse dans le Sahel (Inter-state Committee for Drought Control in the Sahel, or CILSS) is sponsoring additional follow-ons to this work. A review of the World Bank's document specifying its agenda for Africa in the 1990s also reveals that the lessons learned from applying DFM's methodology to natural resource problems in Africa have had a major impact on the Bank's development policy and thinking on the issue. A.I.D. and the Canadian International Development Agency (CIDA) sponsored a conference for the American and Canadian PVO community in 1989 which included materials demonstrating the application of IA to natural resource management.

The World Bank and the International Irrigation Management Institute have evinced considerable interest in DFM's irrigation work. DFM's work with road's infrastructure in Zaïre has had an impact on the larger donor community there. A cable from the Zaïre mission in response to the review team's questionnaire states, "USAID research in decentralization has captured the imagination of the World Bank who plans to use methodology elaborated in [DFM's] second study to pilot local administrative initiative in its Feeder Road Maintenance project which has been closely coordinated with the Transport Reform Project. The Canadians are initiating similar local resource mobilization experiments in the North Kivu Region of Zaïre." A Japanese consortium of donors has also expressed interest in DFM's approach, and in response ARD sent a team to Japan to elucidate the IA approach in April 1991. This evidence speaks positively to the long-run impact of DFM on development thought and practice in the international development community.

There is also evidence that DFM has begun to have an impact on the wider community of development scholars. DFM researchers have been invited to present papers utilizing the IA approach at the International Political Science Association World Congress, the American Political Science Association Annual Meeting, and the Southern Regional Science Association Annual Meeting. "Crafting Institutions," Professor Elinor Ostrom's presidential address at the IASCP meeting in September 1990, which reached a large audience, was based directly on her DFM work.⁶ And DFM's scholarly works are being accepted by prestigious publishers. It will necessarily take longer to assess the full impact of these undertakings; it re-

⁶ One of the review team members attended the IASCP meeting and the presidential address. The meeting attracted something over 150 participants, among whom were the most prominent scholars in CPR thinking, from both the academy and the donor community.

quires some time for people to read, assimilate, digest and react to such material. However, the inroads made to date are most noteworthy.

Summing Up: Project Accomplishments

Over its first three-and-a-half years, DFM has realized a number of significant achievements. The project has accomplished the theoretical extension of IA to rural infrastructure in general and roads and irrigation in particular, as well as to natural resource management. Further, it has begun theoretical work extending IA to parastatal restructuring, service delivery systems and education.

Requests from AID missions have been many, to the point that senior DFM personnel have to turn down opportunities to provide short-term TA. The range of experience gained from this assistance provides a basis for tests of the IA theoretical framework, and provisions need to be made during the project's final years to draw together the experience gained in this regard. While the long-term "demonstration country" TA has taken more time than anticipated to get into place, it does appear that DFM will be able to field test several important theoretical predictions.

The project has also made considerable progress in disseminating its findings. Its achievements are particularly notable with respect to its influence on the broader international donor community and development scholars. While the project's dissemination efforts have not broadly influenced practice and thought among A.I.D. officers and host country practitioners as yet, they have had a significant influence on a select set of A.I.D. officers and host country practitioners. Assessing the long-term impact of DFM will necessarily take the passage of several years. However, there is tangible evidence to suggest that DFM's prospects in this regard are good.

Concerning the IA approach itself, the review team finds that it offers a less ideologically oriented and more convincing means of analyzing persistent development problems than other available approaches. It can be employed to analyze most of the same issues that "left" and "right" approaches have examined in previous decades, but without much of the ideological baggage that encumbered that debate. On the one hand, IA provides convincing explanations and strategies that get at the same issues of elite control and equity-oriented development as the left "political economy" approach did in the 1960s and 1970s, while on the other hand, it also offers powerful analyses of why and how market structures in many cases perform better than bureaucratic ones, which had been so much a part of the conservative "public choice" thought of the 1970s and 1980s. To put it another way, IA allows and facilitates analysis to be conducted outside of the left-right polemic that has characterized so much of the thinking about development process and policy in the last several decades. This is likely to be its enduring legacy.

III. IMPORTANT ISSUES

While the project successes recounted in the previous section have been impressive, DFM has also faced several problems during its first three-plus years. What follows is an analysis of these issues.

1. Theory vs. application. Even at the preliminary design stage of DFM, it was widely understood that the project would embrace two quite different orientations: an attempt to broaden the understanding of development on the one hand, and an applied, practical focus on providing useful TA to USAIDs on the other. But this dual nature of the enterprise was not seen as a flaw in the project; on the contrary it was seen as its particular strength. Indeed, DFM was thought of as perhaps quintessentially characteristic of the ST Bureau's central mission to furnish technical expertise to USAID field missions and at the same time push forward the international development community's understanding of the development process itself.

Moreover, it was thought that within DFM the two sides would be more than merely complementary; they would become symbiotic and even synergistic, in a way that not only would each benefit from the other but the resulting whole would be greater than the sum of the two parts. Theory would benefit from being tried out in field experiments, application would benefit from being guided by better theory, and our capability to put our understanding of development into practice would be significantly enhanced in the process.

But whatever symbiotic or synergistic outcomes might be anticipated, some particular mix of the research and TA had to be employed in the actual implementation of DFM. How much emphasis should there be on the research side? How much on providing TA for specific USAID mission needs? All parties involved in DFM have agreed that there must be a mix, but each appears to have had a somewhat different understanding of just what that mix should be, with the DFM researchers emphasizing the theory side, the missions emphasizing the practical side and ST/RD bridging the middle.

In the course of this evaluation, the review team has found itself employing a sort of IA approach in analyzing this issue, especially in the sense of studying the incentives structure facing the various parties. What immediately emerges from such a perspective is that the DFM researchers in the ARD consortium and the DFM consumers in the USAID missions have quite different agendas and different perceptions of what is most pressing.

The researchers at Bloomington and Syracuse see mission needs for TA as important and understand that missions putting up the bulk of the money for DFM effort are going to want primarily a product the latter can use in their own work. But the university scholars' life calling is academic research, not applied TA. The primary audience for what they do is the wider community of scholars, not USAID field missions. Career rewards are found in the assessment of one's work — particularly theoretical work — by disciplinary colleagues, rather than in such applied spheres of activity as providing useful TA for development projects. And the fact that the academics engaged in DFM are among the very best in their respective fields means that they are especially attuned to the research calling. That the principal investigators have had long experience in providing practical TA greatly enhances the prospect for a synergistic DFM, but the facts remain that their first interest is in research and that they are very good at it. That is presumably a major reason why the ARD group (and particularly its university component) was chosen as the contractor for DFM.

For their part, USAID field missions are all too well aware that far too many foreign aid efforts are less successful than they should be and that there must be better ways to design and implement projects than those now being used. And in consequence they recognize a need for general research and analysis using a wider horizon than they employ in their usual activities. But their major focus is necessarily on what is of most immediate importance, i.e., their mission strategies and the projects in their portfolios. These are the things that count toward building one's career, rather than helping to advance theoretical knowledge of the development process.

In short, missions have little practical incentive to support theoretically oriented research, especially when such research takes increasingly scarce funding away from its immediate project needs. To put it another way, they want expertise based on wide experience and broad theoretical understanding, but they are not always interested in directly supporting the creation of that kind of capability. As a USAID officer in one mission observed, "We want to tap into the kind of TA that DFM can give, but we want someone else to pay for building that knowledge."⁷

Just as important in many ways as the philosophical differences between DFM and the USAIDs are what might be called logistical differences, that is dissimilarities in scheduling and availability perspectives. Those in the university community are locked into the yearly academic calendar and must plan considerably ahead to make consulting commitments. USAID missions on the other hand face a constantly shifting set of time and policy constraints, so that schedules are frequently abruptly shifted, priorities drastically altered, funding support suddenly augmented or (more

⁷ An allied issue here is the extent to which USAID mission staff find the IA approach per se to be of value; some do but many clearly do not. This issue is taken up below in the text in sub-section 8.

likely) depleted, etc. Each side finds the other side's environment difficult to comprehend or adjust to; contractors find themselves distressing missions as they switch TDY personnel to meet the latter's changed timetables, missions annoy contractors by postponing or cancelling anticipated TA, and so on.

It should be emphasized here that, in the view of the evaluation team, neither side is more responsible or to blame than the other for this state of affairs. The fact is that each has a different perspective of the world, and it is scarcely surprising that its understanding of what is important is informed by its own perspective. The difference is simply one more aspect of reality that must be taken into account in doing development work that involves expatriate technical assistance.

Can these divergent perspectives be reconciled and built upon to advance the understanding and practice of development? Certainly it was assumed in the design of DFM that this could and would happen. And in some cases, such as Cameroon and the Africa Bureau buy-in such a convergence has taken place. In other cases, notably Nepal, it did not. Clearly more effort should be undertaken to provide to DFM researchers a greater understanding of mission needs and to give missions a deeper appreciation of why state-of-the-art research is important. And while their differing working environments are always going to create differing logistical constraints on the two sides, more effort needs to be made to assure that each comprehends what the other must contend with.

The review team recommends a concerted effort to promote a better understanding by both DFM and A.I.D. of the each other's motivations, objectives and working environment. The best intermediary here between DFM and the USAID missions is the ST/RD office, and the best vehicle would be more frequent meetings at the contractor sites, ST/RD and perhaps elsewhere (possibly in the form of retreats) at which workplans, activities undertaken and problems encountered could be discussed at length and mutually understood.

2. The initial project focus on rural infrastructure. As DFM was being designed, its project committee evinced some concern that it risked becoming too diffuse and so urged a concentration of effort into fewer sectors that could be better handled. In particular, it suggested a focus on roads. Making roads the centerpiece would enable DFM to build on what had been done in the earlier LRAP effort, and at the same time, it looked as though two of the three most likely long-term buy-ins would be for road projects in Zaïre and Bangladesh. The third potential buy-in at that time was the Nepal USAID mission, where the Rapti Project concerned irrigation and roads. Accordingly, a project combining roads and irrigation into a "rural infrastructure" emphasis seemed an obvious choice.

Concentrating on rural infrastructure facilitated bringing together the several strands of IA, for it was eminently possible to work on CPR, LRM, and the new insti-

tutional economics, all in the context of irrigation and roads. And there proved to be more than enough demand for USAID missions, at least for short-term assistance in the rural infrastructure sector. Moreover, roads and irrigation provided a good contextual framework for three of the first four theoretical papers issued thus far by DFM (Ostrom et al. 1990; Ostrom 1990; Schroeder 1990).

Did this narrowing of scope harm DFM? Some of those the review team talked with were concerned lest it be perceived as "just an infrastructure project," especially inasmuch as rural infrastructure at present appears to be getting a lower priority at AID/W than it has been accorded in times past. But given that the project had only so many researchers and so many person-months available, it is hard to see how it could have done much work in other sectors, certainly while it was getting started. And as things turned out, DFM did provide some forestry TA in Nepal and AFR/SWA during the period under review. More recently it has expanded into coffee marketing (Cameroon) and will shortly do so into natural resource management (Madagascar) and local public service delivery (Africa Bureau buy-in).

From a theoretical viewpoint the initial emphasis on irrigation and roads may well have given a good balance to the project, in that the two sectors represent opposite ends of a CPR spectrum. That is, irrigation is in many ways a straightforward case of CPR management in that it is reasonably easy to control access to the resource, tie LRM costs to benefits in the perception of users, and enforce sanctions against shirkers or free riders. Roads, on the other hand, present a much more difficult and in some ways even intractable case in all three dimensions. As a consequence, dealing with these two extremes has lent DFM's analytical work to date a fullness that it would otherwise probably not have had. And now that a suitably wide spectrum has been explored, it makes good sense to fit forestry, coffee marketing, natural resource management and public service delivery into it.

3. *Delayed long-term buy-ins.* As envisioned in the PP, long-term buy-ins from USAID missions were to be "the heart of the project." These "demonstration country" activities, which were to have been three in number and were "expected to absorb the major share of [DFM's] resources and effort" during its first three years (USAID 1987a: 2), were intended to facilitate in-depth testing of the IA approach on the ground.

Zaire and Bangladesh were initially thought to be clear candidates for such work, but as DFM unfolded, these long-term buy-ins did not materialize. The Zaire mission, which at the project's outset looked most hopeful, demurred at the estimated size and ambition of DFM's proposed effort and opted not to pursue it. In the course of developing its roads project for which a long-term buy-in was anticipated, the AID mission in Bangladesh transformed its ideas several times, and at this point in time it is not clear when it will produce a PP or that DFM will have a future role there.

The other two possibilities that at various times seemed strong — Indonesia and the Philippines — did eventually set up multi-year experimental projects into which DFM would have fit. But the USAID mission in Jakarta already had a contract in place for a large road project, and although it was very pleased with the DFM-designed experiments that were to fit into that project, it elected to assign the experiments to the same contractor that had been engaged for the larger road effort. In the Philippines, USAID did use its three DFM-produced studies in the design of its new Local Development Assistance Project, and DFM was hoping to get a long-term buy-in for TA connected with the project, but USAID/Manila decided to put the TA component out for bids, which DFM (being already an A.I.D. activity) could not bid on.⁸

Thus at the end of three-and-a-half years, DFM had no long-term buy-ins and consequently no chance to subject the IA approach to sustained testing as an action/research effort in the field. Several reasons can be adduced for this inability to generate long-term demonstration activities. First, there has been some apprehension at USAID missions that it is bad practice to engage an organization to design a study and then sole-source the study itself to that same concern, for fear that the designers would plan the effort at least in part to suit their own needs and preferences. Such thinking then produces a sort of "catch 22" in which the firm best suited to design something is *ipso facto* excluded from implementing it.

Another factor reinforcing this orientation has been a recent (June 1990) A.I.D. directive from the Office of Procurement at AID/W to the effect that "Buy-ins over \$250,000 are generally not accepted," and indicates that competed contracts are preferred. To be sure, in the sentence quoted just above, the directive does say "generally," and it goes on to state that "Buy-ins over \$250,000 MUST [emphasis in original] be discussed with the central bureau project officer [in this case the project officer at ST/RD] and the OP Contracting Officer prior to submission of a PIO/T." (USAID 1990a: B.1-3) Such language would certainly seem to indicate that exceptions to the \$250,000 guideline could be expected to occur at least from time to time if not fairly often. But there seems considerable confusion in the minds of at least some USAID mission project officers (and maybe mission contract officers as well) about what it means in practical terms. It would seem appropriate to urge that clearer guidance be given on the matter from AID/W.

The most important factor militating against long-term buy-ins, however, appears to have been a reluctance on the part of USAID missions to support development efforts not directly connected to their own project portfolios. If an activity does not have immediate relevance either to current projects or to project design, then it of-

⁸ As it turned out, ARD did bid for and in the event won the contract to supply this long-term TA to the Local Development Assistance Project. Thus there will be some IA aspect to it, if not a DFM aspect.

fers little appeal to USAIDs. There would seem to be three reasons for this lack of attraction. First, USAID missions perceive themselves facing a short-term future characterized by shrinking Development Assistance (DA) funds, as Eastern European and Congressionally earmarked aid increases while Congressional support for foreign aid in general decreases as part of the winding down of the Cold War. With good reason to think there will be less money available next year than was available this year, AID missions are understandably reluctant to allocate funds to relatively expensive expatriate TA, especially when a part of that TA would be devoted to state-of-the-art thinking that would perhaps benefit the development community as a whole but be somewhat tangential to the immediate needs of the USAID mission providing the money.

Second, while mission staff may well see the overall need for action research that will have a long-run payoff and generate new concepts that will affect development thinking, say six or eight years in the future, their immediate time horizon is confined to their own tours of duty, which generally last at most four or five years. And of course by the time the average USAID mission project officer has gotten to the point where he or she must decide what to do about a possible DFM long-term buy-in, his/her tour probably has considerably less than a full four or five years left to run. The need is to spend project funds on something that will have a shorter term payoff or at least give an indication of having accomplished something measurable or noticeable during the remainder of the tour of duty. And long-term DFM basic research would seem unlikely to meet that standard.

Third, several mission project officers evidenced considerable concern about losing control of any large-scale buy-in activity. Strictly speaking, any buy-in effort from DFM culminates in a work order issued from AID/W to ARD, and thus DFM works for AID/W rather than the USAID field mission that wanted the job done in the first place. In general this diversion of control presents no problems, and contractor-provided TA field teams do in fact work for the USAID mission. But with longer-term work, project officers worry that the contractor will become too independent. And when the TA teams are well-known academics with their own research agendas, mission officers fear that their own project priorities may suffer.

Whatever the exact mix of causes, the consequence of DFM's failure to secure long-term buy-ins has meant that the project has thus far lacked an opportunity to test out its ideas over an extended term in an actual experimental field setting. Does a smaller and more geographically compact user group of farmers do better at managing an irrigation system? Would a combination of increased locally mobilized revenue and a genuinely decentralized democratic local government really increase public accountability? Can the incentive system in a local bureaucracy be structured so as to minimize corruption? Testing such questions in an experimental mode was to have been a major feature of DFM, but as of yet it has been impossible to do so.

Whether this absence of long-term work has affected the integrity of DFM itself will be taken up in the next subsection of this report.

By the summer of DFM's third fiscal year, the outlook for long-term work appeared bleak. The DFM Progress Report issued in June 1990 conceded (pp. 28-41) that expectations for long-term work in Bangladesh, the Philippines and Nepal had not materialized, though it still held out hope for Zaïre.

Now in DFM's fourth fiscal year, the situation has turned around. Today long-term buy-ins seem on the point of materializing in Cameroon and Zaïre. And in both countries there is a definite interest in the kind of operational experimentation that was contemplated for DFM in its PP. Further, there is a strong possibility that DFM will be called upon to monitor the three pilot experiments that it has designed for the Indonesia Rural Roads Maintenance Project. And finally ARD (though not DFM) has been awarded a contract for long-term TA to USAID/Manila, which will also facilitate some experimental action research.

In retrospect, two lessons emerge. First, the assumption that USAID missions at the outset would want long-term operational experiments was, as one of DFM's designers observed to the review team, "a major design error" in the project. USAIDs did not prove eager to buy in to such activity. Over time, however, networking (Cameroon), and persistence (Zaïre) did bring long-term buy-ins, and high quality short-term TA may prove to do so in a third country as well (Indonesia).

The gestation period, in sum, proved to be much longer than had been anticipated. In retrospect, it would appear that the initial hope of moving directly into long-term demonstration work was simply overly ambitious and that USAID missions showed themselves unwilling to allocate substantial portfolio funds to activities that at the front end were of unproven worth. Over time, however, these long-term buy-ins have come forth as DFM has demonstrated a capability to provide TA that USAID missions find useful.

4. *Absent long-term buy-ins and project analytical quality.* Given that the anticipated long-term experimental work in "demonstration countries" has not materialized thus far in DFM's history, several questions arise. What has it been possible to learn at the analytical level? Has short-term TA in the "support countries" made up for absent long-term work in furnishing an experiential base for analytical study? Can DFM recoup on long-term work in the last phase of the project, now that several opportunities have emerged? And last, has the absence of long-term work affected the impact DFM and IA have had thus far on development thinking within USAID and the international donor community?

The review team finds that DFM has been able in substantial measure to compensate for the lack of long-term buy-ins. It has done so in several ways. First, DFM's senior project staff has itself had a long track record in developing IA both theoretic-

cally and in its applied work. Various DFM members have involved themselves with roads, water, forestry and local resource mobilization over many years, and they bring this long experience to bear in their DFM work. Second, much of the short-term TA that has been provided to USAID missions has also enriched the theoretical analyses that have thus far been produced (e.g., the SOAP and the sector analyses on roads and irrigation).

And third, DFM has significantly "leveraged" the senior staff's research agenda by encouraging them to continue devoting considerable non-DFM time to analytical work that relates very closely to DFM's priorities. In particular, the ongoing work on irrigation user systems at the Indiana Workshop is a case in point here, in which NSF and other support is funding research that will surely have a prominent place in DFM's final SOAP.

The result of this experience has been, in the review team's view, high quality state-of-the-art material. Is it quite the same as it would have been, if the experimental long-term buy-ins had come along as planned? There is no doubt that DFM's experience would have been richer to date if the three long-term buy-ins had unfolded as conceived in the PP, but what has been done is nonetheless high quality work.

Moreover, DFM's work to date has begun to have an impact on development thinking. Various DFM staff have given presentations at AID/W and several USAID missions, to the World Bank, to a joint A.I.D./CIDA seminar in Washington, to the Club du Sahel and CILSS, and the Organization for Economic Co-operation and Development (OECD), among others. As for written work, in addition to such "direct mail" efforts as the DFM Newsletter, publication of the initial SOAP (Ostrom et al. 1990), "Crafting Irrigation Institutions" (Ostrom 1991) and the analytical essay on education (Davis and Ostrom 1991) can be predicted to have significant impact as they appear and get digested in the development community.

The long-term work that is now materializing in Cameroon and Zaïre (and possibly Indonesia) will allow the long-delayed field testing of IA concepts and will further enrich DFM's knowledge base. The results of these efforts will take some time to become clear, but some significant findings should become available during the LOP, particularly if DFM is extended for the additional two years contemplated in the PP.

5. *Assessing DFM's efficacy.* One highly relevant question for any approach that promises a new and better way of practicing development is, how will it be possible to tell whether it works? Before they agree to spend money on IA for a long-term buy-in, USAID missions should expect to have some evidence that it has a good chance of success, some demonstrated evidence that it has worked before. In some cases like Cameroon, DFM may be able to "graduate" into long-term activity on the basis of what it has done in the same country as short-term TA, but if IA is to become a convincing approach within A.I.D., to say nothing of the international

donor community generally, it must be able to present more than anecdotal evidence that it in fact works.

Measuring the success of a developmental approach or technique is at best difficult. An example here is the Training and Visit (T&V) system pioneered by the World Bank. At first glance, it would seem a rather straightforward exercise to show whether T&V has increased crop production in a given area or not, and indeed the Bank has produced a number of studies adducing such evidence of its success. More recent inquiry, however, raises some serious questions as to the actual efficacy of the T&V method (Antholt 1990: 6-8). And if there are serious questions about how to measure T&V's performance, IA will surely present much larger problems of measurement, for it is a much more complex and comprehensive method.

But efforts to gauge its effectiveness should be started. At present there are two avenues to pursue. The first is already under way and in fact has been proceeding largely independent of A.I.D. funding. This is the large-scale study of irrigation user systems now in progress at the Indiana Workshop, in which well over a hundred Nepali systems are being rigorously compared along scores of different dimensions. The analysis now emerging should allow an excellent testing of IA precepts against this rich empirical data base, and should yield many insights into what works in irrigation system management and what doesn't.

The second avenue lies in the long-term Cameroon TA now about to begin. Here it will be possible actually to test out IA approaches experimentally, and the track record which the DFM effort compiles in Cameroon will offer good evidence as to whether it can be expected to work elsewhere. Hopefully it might be possible to build some control factor into DFM's Cameroon activity, such as a monitoring effort to track coffee marketing in a comparable area that is not part of the experiment. Similar control monitoring could be built into the Zaïre buy-in, as well as into the Indonesia pilots if there proves to be some DFM involvement in their implementation.

In its remaining LOP, DFM should devote some serious effort to building ways to measure what IA can accomplish. This would not have been practicable thus far, in the absence of long-term buy-ins, but now that such experimental endeavors are in the immediate offing, measurement efforts are very much in order. The review team recommends that in the remaining LOP for DFM, a concerted effort be devoted to the measurement issue. In particular, if DFM is extended for two years, such a task should be a top priority for core spending, perhaps in conjunction with the project's final SOAP.

6. *Marketing, outreach, networking.* As its primary "pre-marketing" effort, the project relied on a single round of visits to a limited set of missions that seemed good candidates for long-term buy-ins focused on rural roads infrastructure maintenance. This round of visits took place prior to DFM's start-up in 1987. Few provisions were made in the contract to ensure or permit a concerted marketing effort. This omission appears to have resulted from an overly optimistic assessment that the missions initially visited would follow through with a series of short-term or long-term buy-ins. There may also have been an expectation that casual networking would bring on board as many additional missions as the project could effectively service during its initial years and that dissemination of the project's approach and findings would stimulate sufficient interest in the project to ensure a steady flow of buy-in requests during the project's later years.

As events unfolded, the failure to provide for a concerted marketing effort has proven a weakness of the project. Several steps have already been taken to remedy this problem. Especially noteworthy are the development of a newsletter and its wide dissemination to USAIDs and the workshop on governance planned for AID/W officials to take place this fall, which in addition to providing a forum for dissemination of DFM's contribution to development thought will demonstrate its potential to contribute to mission programmatic needs. This demonstration of the practical significance of DFM is likely to prove a powerful marketing tool.

The review team nonetheless feels the project would benefit from an enhanced marketing effort, especially if the team's recommendation to extend the project contract for an additional two year period is accepted. DFM is in an excellent position to respond to the agency's new environmental and democracy initiatives. But missions' awareness of DFM's capacity to assist them in responding to these initiatives is as yet limited. Although better marketing might result in demand exceeding DFM's capacity to respond to mission requests, this scenario carries with it some advantages. Heightened demand for DFM's services would provide DFM the latitude to concentrate its efforts on those sets of projects where the match between mission needs and DFM's broader research agenda is tightest, and where the prospects of having a sustainable effect on host country policies are greatest.

Several specific activities warrant consideration in line with an enhanced marketing effort. First, a more coordinated and concerted networking effort is likely to prove an inexpensive means of marketing. Regular contact by the project officer with someone in each regional bureau and mission to provide information on DFM's capabilities, activities and research findings, while obtaining updates on mission priorities and needs.

DFM's newsletter is an effective medium to share information on project activities and research outputs. This initiative merits continuation as a marketing and dis-

semination vehicle. Several mission officers the review team spoke with felt a much shorter "glossy" document describing DFM's technical assistance capabilities and providing information on how to access it would be of service to a broader group of mission (and regional bureau) personnel.⁹ Serious consideration should be given to the preparation of such a brochure. Finally, the allocation of core funds for reconnaissance visits (not high-powered sales pitches) to missions identified as having a high likelihood of benefiting from DFM's technical assistance merits consideration.

7. Management issues. The fact that DFM has three contracting organizations at widely scattered sites presents a number of managerial challenges, both for the A.I.D. project officer at ST/RD and the senior program manager at ARD.¹⁰ In communicating with DFM, the project officer must choose between dealing only with ARD in Burlington (who would then in turn relay things to and from the other two locations) and dealing with all three contractor sites. Ideally, of course, project management of an ST/RD contract should be simple and straightforward, in that the contractor provides whatever products that are specified in the contract in whatever (legal) manner he chooses and does so on his own, just as, for example, a computer vendor would provide a given number of machines of certain specification by a particular time to the office purchasing them.

In the real A.I.D. world, however, with contracts like DFM consisting of little bits and pieces, most of which require other parties to request them and support their funding, the project officer is constantly involved with the contractor. Given the large number of disparate activities in different countries each progressing at its own pace and in its own direction, but all moving simultaneously, a great deal of back-and-forth communication is required, and so the actual choice made as to how to relate to the contractor is quite important.

If the project officer deals primarily with ARD, the lines of communication are cleaner, and the contracting office bearing the main responsibility for the project is always aware of what the two sub-contractors know and what they are doing. On the other hand, the subcontractors and ST/RD will each have correspondingly less sense of how the other is progressing as well as of the institutional environment it

⁹ Preparation of a "glossy" brochure could begin with a revision of DFM's capability statement, which, though undated, appears to have been drawn up about the time of the project's beginning.

¹⁰ There would obviously be some real advantages to having a contracting organization that was all located at one site, for communication would be relatively simple. But this would also mean putting most or all of the project personnel on a full-time payroll, which would be difficult, given the disjointed and temporally fragmented nature of DFM's work. Using academics that have regular university positions and are thus not dependent on full-time consulting work offers distinct gains, even though they may be at different locations.

faces. If on the other hand the project officer deals directly with all three contracting institutions, all parties will have a better sense of how the others are getting along, but sooner or later ARD will get left "out of the loop" at some crucial juncture.

As DFM has evolved, the ST/RD project officer has chosen the first option, talking with the senior program manager at ARD and his associates quite frequently, often more than once a day. The latter in turn handles communication with the Indiana Workshop and the Maxwell School. Sometimes the ST/RD project officer deals directly with one of the subcontractors, but relatively infrequently. ARD is thus linked in to whatever goes on.

As indicated above, though, the benefits of this approach (as of the other as well) are necessarily mixed. It appeared to the DFM review team that the project officer and the senior program manager each have a good understanding of the working environment that the other faces and what the other expects. There seemed to be considerably less understanding of such things between ST/RD and the two subcontractors, however. From the ST/RD viewpoint, the subcontractors tend to put too much emphasis on their research agendas, have an insufficient appreciation of USAID mission needs, and want to see DFM as a grant rather than a contract. For their part, the subcontractors feel that A.I.D. often fails to consider academic scheduling constraints, prefers to support field work for missions to the exclusion of what they see as equally necessary analysis work at their home institutions, and, because it operates on a different budget cycle from the one universities use, continually causes problems in meeting payroll and other expenses, thereby requiring the institution to "underwrite" their work with on-campus cash advances. Moreover, in the subcontractors' view USAID field missions want to exercise an excessive degree of control over their buy-in activity and are reluctant to allow DFM the scope and flexibility it needs.

Part of what is involved here, of course, is the different agendas that drive the various actors, as noted above in subsection 1 on "theory vs. application." Academics do give their primary allegiance to their ongoing research interests, while for its part ST/RD's basic responsibility is to support USAID field missions in their work, and the missions themselves are centrally concerned with their country strategies and projects.

Still, more mutual understanding would be useful to both sides. As things now stand, there has been one yearly meeting between ST/RD and DFM to discuss the upcoming annual workplan. There may be other contact when DFM people visit Washington in connection with other business (e.g., a seminar presentation at the World Bank), but these occasions do not provide time for extensive discussion. ARD does have one professional staff member (James Thomson) resident in the Washington area, and his presence is useful, but he is frequently overseas on DFM assignments and in any event cannot replace the senior program manager in Burlington.

Taken altogether, this does not appear to be enough personal contact, and even frequent telephone calls are not really a substitute for extended face-to-face discussion. An illustration of the need for more contact was the two-day visit by ST/RD staff to the Indiana Workshop in February 1991 (which was also attended by the DFM review team), after which both ST/RD and DFM participants observed that they now understood important matters they had been innocent of earlier. For example, the ST/RD visitors were impressed with the extent to which the DFM researchers were using non-A.I.D. funding to support analytical work feeding directly into the DFM project, while the DFM researchers evinced a greater comprehension of some of the constraints ST/RD had to operate under.

The DFM review team recommends that a roundtable meeting involving professional staff from ST/RD, ARD and the two subcontractors be held at least twice a year, in order to facilitate a smoother working relationship between all parties. Such a practice will be especially useful as A.I.D. moves into the "three plus one" initiative recently set forth by the Administrator (USAID Administrator 1990) and at the same time undergoes the reorganization now in process within the Agency. Both efforts will mean a changing relationship between ST/RD and DFM, and more frequent and extensive interchange should help all sides significantly.

8. *Dissemination and persuasion.* The task of disseminating DFM's methodology and research findings is complicated by the varied audiences it is trying to reach. There are four distinct audiences the project needs to reach if DFM is to have a sustainable impact on development thinking and practice: (a) mission/bureau project and policy officers; (b) their host country counterparts; (c) the broader international community of donors; and (d) the scholarly community. The diversity of this audience creates a challenge and a dilemma for the project. Different project outputs and dissemination mechanisms are relevant for each audience. If all audiences are to be effectively reached, a multifaceted dissemination effort is required, consuming sizable amounts of project funds and core researcher time.

Mission/bureau personnel need to know of the varied kinds of practical development problems the IA approach is uniquely suited to address. They need to know how to access consultants trained in IA. They need a document that details the programmatic and policy implications derived from applying IA to their very specific development problems. In addition, mission officers and especially bureau officers can gain from the general insights provided by applying IA to a broader range of practical development problems. The review team's discussions with mission personnel indicate that some, but far from all, would welcome the opportunity to acquire the skills to apply IA.

A number of the project's dissemination efforts directed towards project/bureau personnel have been reasonably effective. DFM's newsletters have offered insight

on the kinds of problems IA can fruitfully address and general lessons learned from DFM's wider activities. In conjunction with several DFM buy-ins, project researchers have presented seminars to a wider mission audience introducing the elements of IA and the kinds of development issues it informs. Feedback indicates these seminars proved an effective dissemination vehicle for mission officers. DFM's goals would be furthered by building such seminars in as a regular feature of DFM's buy-in and reconnaissance activities (if necessary, paid for out of core funding). Annual workshops, such as the governance conference planned for the Fall, would effectively serve the same purpose for central bureau personnel.

DFM's SOAP and related annexes provide an additional means to disseminate the elements of IA and the general insights gained from its application to particular development issues. However, these documents are lengthy and few mission/bureau personnel can devote the necessary time to digesting them. Nor is it evident that condensed (say, 30 page) versions would find a much wider audience among mission/bureau personnel. The highlights of these documents contained in the newsletters are far more likely to be read by the wider mission/bureau audience. Consideration should be given to reprinting each SOAP summary as a self-contained brochure. Easier access to the SOAPS and related annexes could facilitate broader consumption among mission/bureau personnel (although the potential audience here remains somewhat limited).

In the course of the team's visit to the Indiana Workshop, the possibility of developing a short course there in IA and accepting mission/bureau personnel and/or their host country counterparts for long term training at the Workshop was discussed. As a part of this review, we have sought to ascertain interest in such training programs. Interest in long-term training in IA among mission/bureau personnel appears extremely limited if indeed there is any interest at all. However, considerably more interest was expressed in a short course (approximately 4 week) in IA. Several of those with whom we spoke felt a higher priority was to impart IA to their host country counterparts. For this group, a year's internship at the Workshop or a medium length program (2-3 months) was deemed appropriate. A four week course was perceived to be too short relative to the cost involved.

This presents something of a dilemma for the project. As the project's experience in the Cameroon demonstrates, the familiarity with IA that can be gained by mission/bureau personnel through a one month course can prove a powerful marketing tool and a potent vehicle for the sustainable dissemination of IA to USAIDs. Some would argue, though, that the capacity to apply IA by host country counterparts can have a more profound impact on development practice. There would seem to be two options here. First, the project has the capacity to disseminate IA to a very limited number of host country development practitioners through semester- or year-long training programs at the Workshop. Second, IA could be disseminated to a much larger group on the basis of a medium-term training program.

However, it seems highly improbable that the capacity to deliver both medium and short courses could be developed, and possibly it would be very difficult to create a single program that would match the needs of both A.I.D. officers and host country professionals at the same time. The midterm review team recommends further exploration of the project's potential to offer either a short or medium term training course in IA and a careful assessment of which vehicle holds the promise of a longer term impact of IA on development practice.

The project's dissemination of IA to host country officials and scholars has been quite limited to date. Some limited activities, notably in Nepal and Cameroon, have been undertaken to this end. However, a more concerted effort is needed. In addition to exploring the possibility of developing training courses in IA for host country officials/scholars discussed above, further means of disseminating IA to this audience need to be explored. Some possibilities include encouraging them to attend seminars on IA presented at missions (see the section on marketing), conscious efforts to introduce IA to them as part of "team building" activities, and in country seminars directed expressly to them. Mission personnel could assist in this effort by identifying host country officials/scholars likely to be interested in the project's newsletters, SOAPS, etc., and facilitating transmittal of these documents to them. Finally, in conjunction with the midterm review team's recommendation for the project's two year extension, consideration should be given to undertaking a conference/workshop for host country officials and researchers from the project's demonstration and support countries to demonstrate the principles of IA in the context of the project's rich cross-country experience. While this audience is perhaps the most difficult to reach, successful dissemination here stands to substantially increase DFM's long-run impact.

DFM's record in disseminating its methodology and research findings to the broader international community of donors has been good to date. The SOAPS in their current form are an appropriate vehicle for dissemination to this group. These documents, coupled with presentations at conferences addressed to this audience, initial networking activities and dissemination activities undertaken in conjunction with the African Bureau buy-ins have already begun to influence development policy and practice within this community. Especially noteworthy in this regard is the interest demonstrated by Club du Sahel and the World Bank. DFM's success on this front argues well for the project's long-run sustainability. The core support allocated to these activities has been a good investment and should be continued.

Spreading IA to the scholarly community is of critical importance to DFM's long-run influence on development thought and practice. It carries with it the potential to introduce the next generation of LDC officials, donor community officials and development scholars to IA. Some among them will actively pursue and apply it. Scholarly journals, and books along with presentations at academic conferences are the primary vehicles for dissemination to this community. The core funding al-

ready allocated to these outputs are a wise, albeit long-run, investment. The preparation of journal articles and scholarly books drawing together insights gained from action research in DFM's demonstration countries, and lessons from activities in support countries would similarly prove wise investments, although they are not supported under the current contract. The mid-term evaluation team recommends that the contract extending the project for an additional two years (assuming the review team's recommendation in this regard is accepted) allocate a portion of core funding to these activities. Logical themes around which books/articles could be structured are set forth under item 9 below.

9. *Democratization, environment and the changing A.I.D. focus.* As described in the PP, DFM was justified on the basis of its strong match with then current A.I.D. policies and strategic initiatives. With regard to A.I.D. policies, DFM's capacity to help countries (a) meet their recurrent costs, (b) foster private enterprise development and (c) promote institutional development, were singled out (PP, page 9). These objectives continue to be A.I.D. policy. The review team's discussions with mission staff revealed that the objective of building host country capacity to meet recurrent costs in particular continues to figure prominently in mission policy (Cameroon and Mali are noteworthy in this respect).

More significantly, DFM is in an excellent position to respond to the Agency's new environmental and democratization initiatives. Its emerging sectoral focus on natural resource management and environmental management lies at the heart of the environmental initiative. Given the relevance of DFM's work to the environmental initiative, we recommend ST/RD explore buy-ins with other central bureau offices (e.g., ST/FENR) to support this initiative, especially if DFM is extended for another two years.

The methodology underlying all of DFM's activities builds democratic and pluralistic institutions (listed as Initiative # 1 in USAID Administrator 1990) by fostering the creation of democratic values, building the capacity to craft effective democratic institutions, and fostering integrity in government and civic activities. In all its sectors of focus, DFM confronts the issues of governance and fosters the creation of social capital at the local level to structure institutions which discourage opportunistic behavior (such as free riding, rent seeking and corruption), to undertake collective action, and to adjudicate conflict. The policy guidance it offers fosters the creation of polycentric public institutions and a legal environment to support these capacities. Its approach to decentralization encompasses the transfer of property rights to users, the devolution of rule-making power, the devolution of enforcement power and the devolution of public financing authority. In short, DFM brings the linkage between democracy and economic development into the heart of its work (listed as Initiative #2 in USAID Administrator 1990). As with environmental issues, the re-

view team recommends that DF explore buy-in possibilities relating to democratization.

10. *Extending the contract.* When the Project Paper for DFM was written, it was envisioned as a seven-year project (USAID 1987a), but in the contract itself (USAID 1987b) DFM is laid out as a five-year enterprise. That five-years will end in September 1992. What if anything should be done for the remaining two years? A decision will have to be made at some future point, closer to the end of the five-year period, but several options can be laid out at this point. The first would be to conclude that the project has done its work, realized its purpose and should therefore be ended. Indeed, as A.I.D. itself lessens its earlier emphasis on rural infrastructure, DFM could seem less relevant than it once did.

But attenuating an emphasis does not mean abandoning interest altogether. USAID missions continue to generate demand for DFM's TA with infrastructure activities, as with the long-term Zaïre buy-in for roads. Also in Indonesia, USAID's roads project will go on for a number of years into the future, and quite likely there will be some call for DFM involvement.

Equally importantly, however, DFM has in the course of its first three-and-a-half years attracted demand from USAIDs for a good deal more than its expertise on rural infrastructure. Forestry (Nepal and SWA) and commodity marketing (Cameroon) have seen substantial DFM involvement, and now environmental management (Madagascar) and service delivery systems (Africa Bureau) will very shortly receive TA from DFM.

In fact, it appears to the review team that the IA approach embodied in DFM has now found three distinctive (if not totally distinct, in that they do overlap somewhat) sectors in which to operate:

- (a) Rural infrastructure, where DFM has provided extensive TA relating to roads and irrigation;
- (b) Natural resources management, thus far consisting of forestry and environmental management; and
- (c) Structural adjustment policy, represented by DFM's work on coffee marketing in Cameroon and its upcoming study on service delivery systems in Côte d'Ivoire, Ghana and Nigeria.

Some explanation here is in order. In the research literature generally (as well as in DFM's work so far), irrigation, forestry and environmental management are subsumed under the rubric of common property resources, along with such sectors as inshore fisheries and livestock grazing. Roads are not as obviously a CPR, but as DFM has abundantly shown, are eminently suitable for an IA approach. The point here in making two categories is to distinguish between infrastructural CPRs and

natural resource CPRs. DFM began with a concentration on the former but has expanded to include the latter as well over its existence thus far.

Further, the distinction draws attention to the natural resources category, which fits directly into the A.I.D. Administrator's current strategic initiatives. A.I.D. will be prominently concerned with environmental issues in the near-term future, and DFM has shown a demonstrated capacity both to provide useful TA to USAID missions in this sector and to incorporate it within the IA approach on a theoretical level.

The third sector represents something new to DFM and, so far as the review team is aware, something new to the international development community as well. What began as an effort to improve our understanding of CPR management issues has now expanded to include quite different areas as well. The IA approach has been used for many years to study service delivery systems in the United States (e.g., education), but little if at all in LDCs. Nor has IA been employed to assist in privatizing parastatal enterprises, as it is now doing in Cameroon.

LDC governments (particularly in Africa) will be struggling for many years to come to live within their means and will be finding themselves undertaking various structural reforms in order to do so. Many public service delivery systems will probably have to be severely cut back, devolved to local authorities or even dropped altogether, and many failed parastatals will probably have to be unloaded onto the private sector by their government sponsors. DFM should be of considerable value in assisting these painful processes.

An additional arena in which DFM could be helpful is A.I.D.'s new democratization initiative. Many of the LDCs now turning to democratic systems will discover that meaningful decentralization is a useful and even necessary ingredient in assuring accountability of government to its citizenry. And many will find themselves looking for ways to mobilize local resources to finance decentralization programs, especially as governments at the national level have to raise and spend more resources in responding to democratic pluralism at that level. There will likely be considerable demand for DFM expertise in this context, operating as it does "at the low end of democracy," in the words of one of the DFM senior staff.

It would appear, then, that USAID missions will have enough potential demand for DFM to continue it for two more years, and that the demand will take the project in new directions which will broaden the IA approach and deepen our understanding of development experience and policy.

If DFM is extended for two more years, the present contract could be amended, or the extension could be opened to competitive bidding. In the considered opinion of the review team, the present contractor has not only a demonstrated capacity to do the IA work that would be required in an extension but, because it has pioneered the IA approach itself, would be uniquely qualified to undertake that extension.

IV. SUMMARY AND RECOMMENDATIONS: FUTURE DIRECTIONS FOR DFM

In this section, the DFM review team's findings are very briefly recapitulated, and its recommendations are set forth.

Findings

In general terms, the review team finds the DFM project to have been largely successful in its work to date. Over its first three-and-a-half years, DFM has realized a number of significant achievements.

It has provided short-term TA to seven USAID field missions, to most of them for more than one project and/or sector of activity. The TA provided has been regarded (with reservations from a few mission "consumers") as well done, professionally sound and highly useful.

The long-term, "demonstration country" applied TA that was envisioned in DFM's PP and contract did not materialize as anticipated, partly because of initial miscalculations on ST/RD's side and partly because USAID missions proved reluctant to provide the buy-in funding needed. But after a longer exposure period, it now appears that two of the three anticipated long-term buy-ins are in prospect.

The absence of long-term buy-ins has meant that DFM has not been able to test its approach under prolonged field conditions. It has been able to compensate for the absent buy-ins in part, however, by drawing on the long experience of its senior staff, by using short-term TA to augment the project's theoretical base and by employing the fruits of on-going non-DFM research work to enrich the project. Still, these compensatory stratagems cannot substitute for long-term work in testing IA concepts in practice, which it appears DFM will now be able to do, with the two buy-ins on the horizon.

DFM is on its timetable (perhaps even ahead of it, depending on how one counts) for producing general analytical material. A Prologue, SOAP and three sector papers have emerged, with the SOAP presently under review from a major academic publisher, and one of the two sector papers scheduled to appear as a monograph from another publisher. In addition, a theoretical article is slated to appear in a major academic journal, and two others are under preparation. Starting with a concentration on rural infrastructure, DFM has now expanded its sectoral focus to include natural resource management (forestry and environmental management), policy re-

form (agricultural commodity marketing reform and service delivery systems) and education.

As for disseminating and publicizing its work, DFM has produced two newsletters thus far, and individual researchers have given an impressive number of seminars, lectures, presentations to a variety of audiences in which they have presented DFM's findings. One country-oriented workshop has been held in Nepal, with another general workshop planned on governance for September 1991.

Perhaps the most challenging task for DFM has been to carry on a bridging effort between the two development communities that would provide project-oriented TA to USAID field missions and at the same time produce state-of-the-art theoretical analysis. This it has done and in such a fashion as to satisfy most of those involved, though with some misunderstandings along the way.

Not explicitly stated in the contract, but implied in the development of DFM from the beginning has been the idea that the project should interest development thinkers and practitioners in using the IA approach. There has been some success in this area, but for the most part USAID mission consumers and host country development professionals appear to have seen DFM as a useful repository of project-specific expertise, rather than as a general method for understanding development issues and formulating development policy. But then IA is a method, not a blueprint or technique to be applied exclusively to a given sector, like training-and-visit or family planning. Accordingly, persuading people of its efficacy is a difficult task. But DFM has shown IA to be a method worth spreading, so efforts in that direction should be continued. The task is a long-term one, however, and will stretch across even an extended, seven-year DFM and beyond.

Recommendations

The following recommendations are made with the aim of improving the efficacy of the project's active life and enhancing its long-term impact. The recommendations are grouped under four areas: life of the project, project focus, management and marketing and dissemination.

Life of Project:

The project has been largely successful to date. It has also made substantial investments that promise increased impact in the future provided the project is permitted to run its full course. In light of this prospect, the following recommendation is made.

Recommendation 1

DFM should be continued for the remaining two years contemplated in the PP, and the present contractor should be continued for this work. In the view of the review team, the present contractor consortium (ARD, the Indiana Workshop and the Maxwell School) is uniquely qualified to undertake the extension, not only because it has demonstrated capacity to do the IA work, but also because it has pioneered the IA approach itself.

Project Focus:

The project has undertaken a substantial investment in rural infrastructure which promises to substantially advance development practice in this area if the project is allowed to bring this work to fruition. While the Agency as a whole is now placing less emphasis on rural infrastructure, the fact remains that rural infrastructure development and maintenance still plays a prominent role in the portfolios of several Asian and African missions and an even greater role in the portfolios of other donor agencies working in these regions. In this context, A.I.D.'s emphasis on rural infrastructure development and maintenance has shifted from provider to catalyst, and DFM's work in rural infrastructure provides the basis for policy dialogue to effectively enhance the Agency's impact on what these other donors do.

Concerning the Agency's changing focus, DFM is in an excellent position to respond to the Agency's new environmental and democratization initiatives. Its emerging sectoral focus on natural resource management lies at the heart of the environmental initiative. The methodology underlying all of DFM's activities builds democratic and pluralistic institutions, listed as Initiative #1 in the Agency's December 1990 document setting forth its broad Democracy Initiative (USAID Administrator 1990), by fostering the creation of democratic values, building the capacity to craft effective democratic institutions and fostering integrity in government and civic activities. In all its sectoral foci, including its emerging focus on policy reform assistance, DFM confronts issues of governance and fosters the creation of social capital at the local level to build institutions to undertake collective action, adjudicate conflict, and discourage opportunistic behavior. The policy guidance it offers fosters the creation of polycentric public institutions and a legal environment to support these capacities. Its approach to decentralization encompasses the transfer of property rights to users, the devolution of rule-making and enforcement power, and the devolution of public financing authority. In short, DFM brings the linkage between democracy and economic development into the heart of its work (listed as Initiative #2 in USAID Administrator 1990).

In light of these findings, the mid-term review team makes the following recommendations:

Recommendation 2

DFM should maintain a focus on rural infrastructure while continuing to expand into new sectors of inquiry, especially natural resource management and policy reform.

Recommendation 3

ST/RD should begin dialogue with other central and regional bureau offices to explore buy-ins, for instance with ST/FENR regarding A.I.D.'s environmental initiatives, or APRE in connection with the Agency's democracy strategy, especially if a two-year extension of DFM is undertaken.

Long-term action research in a select set of "demonstration countries" was held to be the heart of the DFM project in the project paper. The mid-term review team agrees that long-term action research offers a strong basis for field-testing the project's theoretical advances, but also finds that there are many factors which mitigate against the realization of long-term buy-ins for this purpose. At the same time the review team believes that the short-term technical assistance efforts also offer considerable scope for field-testing theory, provided the necessary effort is taken to draw these experiences together. In this respect, the following recommendation is made.

Recommendation 4

DFM should develop instruments to measure the efficacy of the IA approach, now that long-term buy-in activity is in immediate prospect. Further DFM should devote concerted effort to drawing together the experience acquired from its "support country" activities through the preparation of further "sector SOAPs", books and journal articles. Such efforts would be a suitable use for core funds, especially if the project is continued for two further years.

Management and Marketing:

Perhaps the most challenging task for DFM has been to carry on a bridging effort between the two development communities of practitioners and scholars by providing project-oriented TA to USAID field missions and at the same time producing and field-testing state-of-the-art theoretical analysis. While the project has made notable progress in furnishing quality TA and theoretically advancing IA, the potential synergy between these two activities has not been fully realized. In the view of the mid-term evaluation team, improved communication between the two communities along with an enhanced marketing effort could help realize this synergistic potential. In this vein, the following two recommendations are made:

Recommendation 5

A roundtable meeting at least twice a year involving professional staff from ST/RD, ARD and the two subcontractors should be held in order to facilitate a smoother working relationship between all parties, to promote a better mutual understanding of each other's motivations, objectives and working environments, and to design means to exploit emerging opportunities and overcome or work around constraints hampering the project's operation and effectiveness. Such a practice will be especially useful as A.I.D. moves into the "three plus one" initiative recently set forth by the Administrator (USAID Administrator 1990) and at the same time undergoes the reorganization now in process. Both efforts will mean a changing relationship between missions, ST/RD and the contractors, and more frequent and extensive interchange should help all parties involved.

Recommendation 6

An enhanced marketing effort should be undertaken both to enable DFM to effectively assist missions to respond to the Agency's new initiatives and to facilitate a tighter match between the project's technical support and research agendas. Several specific activities are recommended in this regard:

(a) The project officer should undertake a more coordinated and concerted networking effort with bureau and mission officers including regular contact to exchange information on DFM's capabilities, activities and research findings on the one hand, and bureau and mission programmatic activities and technical assistance needs on the other.

(b) ARD should prepare a short "glossy" brochure for wide distribution within bureaus and missions. The brochure should describe DFM's relevance to current Agency Initiatives, and its technical assistance capabilities, and should provide information on how to access DFM.

(c) The DFM contracting consortium should explore allocating core funds for reconnaissance visits (not high powered sales pitches) to missions identified as having a high likelihood of benefiting from DFM's technical assistance and contributing to its research mandate.

Dissemination:

Ultimately, the effectiveness of the project will depend on the project's success in disseminating the IA approach to mission officers, host country officials, the broader international donor community and development scholars. While the project's dissemination efforts have already enjoyed some success, the mid-term review team

feels that the experience gained to date in dissemination should be expanded to increase the probability that DFM's impact will be sustained beyond the life of the project. Accordingly, the following recommendations are made.

Recommendation 7

Increased efforts to disseminate the IA approach should be taken up through seminars, conferences and workshops. In particular:

- (a) DFM consultants should present seminars introducing and explicating the elements of IA as a regular feature of its buy-in and reconnaissance activities;
- (b) DFM should sponsor annual workshops at AID/W for central and regional bureau officials and other donor professionals, on the model of the governance workshop scheduled for September 1991;
- (c) DFM should sponsor one or more conferences/workshops for host country officials and researchers drawn from the project's demonstration and support countries for the purpose of demonstrating the principles of IA in the context of the project's rich cross-country experience; and
- (d) DFM should continue to support the project's core researchers attendance at scholarly conferences to deliver papers drawing together the lessons of DFM's research findings for development theory and practice.

Recommendation 8

Renewed and intensified efforts should be made to spread IA to host country officials and scholars to include:

- (a) the core researchers' conscientious introduction of IA as part of "team building" activities with host country practitioners in the course of the project's technical support and applied research activities, and
- (b) increased operational training activities (as envisioned in the contract) directed expressly at host country officials and scholars.

Recommendation 9

The contracting parties should jointly explore the project's potential to offer either a short or medium term training course in IA through the Indiana Workshop for A.I.D. officials and/or host country officials and scholars.

APPENDIX A

DECENTRALIZATION: FINANCE AND MANAGEMENT PROJECT MID-TERM REVIEW

PERSONS INTERVIEWED

Washington, DC: AID/W staff

Anderson, G William, AFR/PD/EA
Atherton, Joan, AFR/DP/PPE
Chetwynd, Eric, ST/HR/RD
Elliott, William, APRE/DR/PD
Fischer, Dana, AFR/SWA/REGL
Ford, Alfred, AFR/CCWA/CCE
Fredrick, David, APRE/A
Grayson, Abraham, ENE/PD/ENGR
Gunning, John, APRE/A
Hammick, William, AFT/PD/CCWA
Hellyer, Robert, AFR/PD/CCWA
Hess, David, AFR/DP/PPE
Kinney, Gary, MS/OP/W/CO
Mehen, Thomas, ST/RD/HR/IDM
Rheingans, Charles, PM/FSP,CD
Smith, James T., AFR/CCWA
Stoner, Benjamin, AFR/TR/ANR/NR
Ware, Theresa, ST/RD/HR/IDM

Washington, DC: USAID/Dhaka staff temporarily at AID/W

Defler, Julie, PDE
Purvis, Malcolm, Deputy Director

Washington, DC: non-USAID persons

Fitzcharles, Ann, independent consultant
Hilton, Rita, World Bank
Kornher, Kenneth, retired division chief, ST/RD/IDM
Thomson, James, ARD

Burlington, VT: Associates in Rural Development

Burrill, George
Green, David
Schegerin, Barbara
Siegel, Louis

San Francisco, CA

Connerley, Ed, ARD

Bloomington, IN: Indiana University, Workshop in Political Theory and Policy Analysis

Benjamin, Paul
Huckfeldt, Sharon
Oakerson, Ronald
Ostrom, Elinor
Ostrom, Vincent
Schroeder, Larry (visiting from Maxwell School, Syracuse University)
Smith, Linda
Wynne, Susan

Kathmandu, Nepal: USAID/Nepal staff

Calavan, Michael, Program officer
Eisenberg, Allen, Contracts officer
Gurung, Khem Raj, Contracts office
Plunkett, Sher, ARD
Shrestha, Shaubhagya, ARD
Strickland, Charles, ARD
Thurston, Robert, ARD

Kathmandu, Nepal: non-USAID persons

Amathya, Soorya Lal, Director, CEDA
Devkoti, Bharat P., CEDA
Dhungel, Dwarika Nath, GON, Ministry of Local Development
Pradhan, Prachandra, International Irrigation Management Institute
Shah, Arjun, CEDA
Shrestha, Neeru, CEDA
Vajracharya, Chakramahr, GON, Ministry of Local Development

Jakarta, Indonesia: USAID/Jakarta staff

Frej, William, Economic Policy Support Office
Kerr, Graham, ARD
Pollock, Fred, ARD
Rodgers, John, Legal officer
Ross, Lee Ann, Economist
Shanaya, Wauter, ARD
Winter, Marcus, ARD

Jakarta, Indonesia: non-USAID persons

MacAndrews, Colin, independent consultant
Salim, T. A., BAPPENAS
Syahrir, Ir., BAPPENAS
Whitmarsh, Charles, STV/Lyon

By telephone from AID/W

Breslar, John, USAID/Bomako

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APPENDIX B

DECENTRALIZATION: FINANCE AND MANAGEMENT PROJECT MID-TERM REVIEW

USAID MISSIONS ASSISTED BY DFM: COUNTRY EXPERIENCE

In the following analysis, a brief summary of the DFM involvement for each country in which it as provided TA is presented, along with an assessment of its contribution and its relationship with the mission involved. The treatments of Nepal and Indonesia will be somewhat more extensive than the others, in that the review team was able to visit USAID missions in Kathmandu and Jakarta and thus could obtain a more detailed view of the DFM experience in those two countries. For the other countries, the team relied on written materials plus interviews with knowledgeable USAID personnel in Washington. These interviews were made very productive, it might be noted, by the fact that it was possible to find a good many people who had been at the relevant USAID field missions during DFM involvement there, but had subsequently transferred back to Washington as part of their normal career cycle. Despite its many well-known problems in other dimensions, the USAID rotation cycle does present some advantages to those undertaking project reviews.

Nepal

DFM's activity in Nepal in many ways encapsulates the near-term difficulties experienced by both DFM and the USAIDs utilizing its expertise, but it also characterizes the longer-term promise that DFM brings to the understanding of the development process. Multiple cross-cutting agendas, changes of mission personnel, communication gaps and inability to coordinate timetables all contributed to a relationship that was less fruitful than it might have been, but on the other hand, DFM's Nepal work will quite likely prove to have as much long range impact on the understanding and practice of development as any of the other activities it will have undertaken during its LOP.

The project's involvement began in the fall of 1988, when a DFM team visited Kathmandu at mission request. After its visit, the team suggested a number of activities focusing on decentralization and users' groups (Ostrom et al. 1988). Since then things have proceeded through a workshop in March 1989, several more DFM

field visits, a great deal of data collection and then analysis in the US, two US PhD dissertations, several studies conducted by a leading host country research institution, and a summing-up workshop to be held in June 1991.

At the outset, Nepal augured well as a site for long-term DFM research. USAID and Government of Nepal (GON) staff remembered favorably a LRM study conducted earlier by one of DFM's principal investigators,¹ and so were favorably disposed toward the idea of further work along DFM lines. Furthermore, Nepal had a rich experience of locally managed CPR systems in irrigation, a good number of which dated back a century and more, and many of which had been already written up and analyzed in some detail. In the forestry sector, community forestry management systems had been set up a decade or so previously and had made considerable strides, to the extent that they were of considerable interest in CPRM development circles. USAID had two ongoing projects, an integrated rural development effort in one particular region (the Rapti Development Project) and a nationwide Irrigation Management Project (IMP). DFM seemed like a natural fit into both endeavors.

Differing agendas:

As the DFM involvement in Nepal progressed, it gradually became clear that the several different participants were pursuing somewhat different agendas. As best the review team could piece things together, the picture was like this:

(a) The Agricultural and Rural Development (ARDO/Nepal²) office at the USAID mission in Kathmandu wanted DFM's assistance in forestry and irrigation management, but it also had an "institution building" agenda for the Centre for Economic and Development Analysis (CEDA), a research "think tank" attached to Tribhuvan University. Initiated as an autonomous operation with support from USAID and the Ford Foundation in the 1960s, CEDA was for a time the premier development research organization in Nepal. As foreign support and the work that support funded dried up in later years, CEDA became more dependent on the University, and the quality of its efforts suffered considerably. ARDO/Nepal thought that a collaborative involvement with DFM would help restore the currency and quality of CEDA's work. It also perceived CEDA as having linkages and connections with the GON that independent consulting firms would not have. Thus, in the words of one former member of the USAID mission in Kathmandu, it was believed that CEDA "could put policy issues on the government table," a factor that would be

¹ See Schroeder and Wozny (1987), which was conducted under DFM's predecessor project sponsored by ST/RD, the Local Revenue Administration Project.

² Unfortunately, the obvious acronym here (ARD) would be the same as that used in this report for Associates in Rural Development, the primary contractor for DFM. Accordingly, the serviceable if awkward acronym ARDO/Nepal will be employed.

useful for policy dialogue with the GON. USAID/Kathmandu approved a competition waiver for CEDA, and it was arranged that CEDA would get contracts for up to six outputs on a piecemeal basis.

(b) CEDA itself saw the projected collaborative effort with DFM as a way to gain access to current trends and thinking in the development research community, and to participate in that community's activity outside of Nepal. At the same time, CEDA has a number of research contracts under way for other studies, and saw itself as an important entity on the national development research scene in Nepal. In particular, CEDA viewed itself as an equal partner with DFM in the research enterprise.

(c) The GON (that is to say the Ministry of Local Development and Panchayats) also wanted to upgrade CEDA's capability to what it had been earlier. In addition, though, it wanted to gain some international publicity and recognition for Nepal's achievements in CPRM, and saw the DFM/CEDA collaboration as a vehicle for this.

(d) DFM viewed Nepal as an exciting IA research opportunity that could provide a large, long-established and well-documented database that in turn would undergird the sort of rigorous statistical analysis that was going to be necessary in the longer run to demonstrate the generalizable validity of the IA approach.

In addition to these differing agendas, there were also other difficulties. DFM wanted to select its own local counterparts for their research work, and identified a number of people whom it hoped could be employed under the CEDA contract arrangement. But the daily rates they were requesting were beyond the guidelines under which USAID/Kathmandu was working, so it was not possible to hire them. For that matter, CEDA's own staff had been getting higher rates from other international donor agencies such as FAO and the World Bank, which the USAID guidelines were unable to match.

Still, the workshop in March 1989 was judged a success in lining up an agreed research protocol under which DFM would offer collaborative guidance and backstopping, while CEDA would conduct the work on the ground in forestry and local resource mobilization, and the Irrigation Management Centre (IMC) would do so in the irrigation sector. As things turned out, the IMP (which was to support IMC's irrigation sector work financially) went into a redesign phase and thus was not undertaking any project activity, and in the LRM sector, a research program was not developed and finalized. This left the forestry sector, for which three CEDA studies were contracted, an inventory of rural development institutions (also to be done by CEDA) and some work in the irrigation sector.

The forestry studies proceeded, with guidance from DFM, and as of the review team's visit in April 1991, two had been completed, one an analysis of community forestry regulations and laws and the other a literature review on community forestry (CEDA 1990a; CEDA 1990b). The third effort — CEDA's major piece of work, a comparative case study analysis of forestry user groups in the Rapti Zone — was

still not finished, though it was reported by CEDA to be "in the final stages of completion." The rural institutions survey for the Rapti Zone had been completed and published in February 1991 (CEDA 1991).

On the irrigation side, Rita Hilton, a PhD student at the Maxwell School, finished her dissertation work on user group institutions in the Rapti Zone, and Ganesh Shivakoti of Michigan State University is currently finishing his dissertation research in the same sector. In addition, the Indiana Workshop continued building and organizing its irrigation user group data base and began some comparative analysis (this work at Bloomington was funded from non-DFM sources, largely grants from the National Science Foundation [NSF]). The final element in the DFM-CEDA collaboration was to be a workshop summing up the effort to date and laying out a research agenda for future activity. Originally planned for March 1990, the workshop had to be postponed more than once for various reasons, and is now scheduled to take place in June 1991. Unfortunately, owing to various schedule conflicts, DFM's anticipated participation in the June workshop will have to be cancelled, and that enterprise will have to be carried on by ARDO/Nepal and CEDA. It seems unlikely at this juncture that DFM will be called upon for more effort in Nepal by ARDO/Nepal.

Successes and disappointments:

There have been some distinct successes for DFM in Nepal. The initial workshop in March 1989 was well received. Rita Hilton's study (extracted from her dissertation; see Hilton 1990) was thought by ARDO/Nepal to be useful and even exciting, and Ganesh Shivakoti's work appears to be going well. The ARDO/Nepal professional staff regarded DFM's work in general as highly competent. The two forestry studies and the rural institutional inventory produced thus far by CEDA are thought to be satisfactory.

There have also been a number of disappointments. While ARDO/Nepal has seen CEDA's performance as satisfactorily meeting the specifications set forth, it has been just that — satisfactory but nothing more. Further, CEDA's work has invariably been late, and it has taken more direction from ARDO/Nepal than the latter would have liked. There have been excuses — trouble at the University, a vicious computer virus, the dislocations stemming from the Democracy Movement in the spring of 1990 — and the excuses carry some validity.

But ARDO/Nepal feels that CEDA's tardiness goes beyond reasonable excuses, and moreover it has had unhappy consequences in that the workshop that was originally to have been held in March 1990 could not be held before summer 1991 because of CEDA's delays. In consequence it has decided that any future work along similar lines will have to be competed; no waivers should be attempted for CEDA. ARDO/Nepal has also been unhappy with personnel changes at CEDA and DFM. It

wants to be assured that the same DFM expatriates will return to Nepal on a continuing basis and that the same people from CEDA will be working on its studies.

ARDO/Nepal also worries that DFM buy-ins are too expensive. USAID/Kathmandu has a small portfolio and one that has been gradually shrinking in recent years; it also faces probable staff reductions. Furthermore, ARDO/Nepal is concerned about control; in its view, if DFM contracts separately from a CEDA-like arrangement for local-hire people to do its studies, then DFM is controlling the research enterprise rather than ARDO/Nepal. Nor in its view has DFM been patient enough in a milieu where good relationships take a long time to build; its consultants were too eager to force the pace of research to fit into the short visits and tight schedules they had to keep because of their university and other DFM commitments. Longer field trips and more patient nurturing of Nepali counterparts would have been better.³

Last, ARDO/Nepal has not come to view DFM as a special or unique approach to understanding development and designing policy. It values the TA provided by DFM, but does so as having satisfied specific, project-related needs rather than as offering a new or different method in the development field. At this point, ARDO/Nepal will probably not seek any further buy-ins to DFM.⁴

For its part, CEDA also feels unhappy. First, USAID salary guidelines are in its view significantly below what other donors offer. Second, instead of giving a straight contract for the several activities it wanted conducted, USAID issued a purchase order for all the CEDA activities, but only funded each one seriatim, meaning that CEDA could not plan ahead, line up its research personnel in advance, etc. And third, instead of what it anticipated would be collaborative research undertaken with DFM, CEDA found itself being given instructions to do finite pieces of field work. In the words of one of their senior staffers, they did "not want to be talked to as if we were students." Lastly, CEDA was not pleased with the prospect of competing for future USAID research contracts, continuing to see itself as the premier research institution of the country, an organization that should negotiate for research work rather than bid for it.

The GON officials participating in the DFM/CEDA activity thought the relationship was too one-way, with consultants giving directions but little collaboration. Little had occurred to strengthen CEDA as a research institution, in their view, and there was no indication that the IA approach had taken root at this level.

³ There is some inconsistency here in that DFM is thought to be too expensive, while at the same time DFM visits are considered too brief.

⁴ Though one USAID/Kathmandu staff member suggested that DFM assistance might be appropriate in the economic liberalization project that the mission is currently beginning to design.

DFM was unhappy at the beginning of its Nepal involvement in that it couldn't hire the local researchers it wanted, due to USAID/Kathmandu salary ceilings. It also found unwieldy the contracting arrangement whereby CEDA worked under an arrangement directly with USAID/Kathmandu; it would have much preferred to be able to direct the in-country research effort itself. And lastly, it was felt at the Indiana Workshop that USAID was too focused on mission-related field work, that it did not show as much interest in supporting the level of effort at the Indiana Workshop and the Maxwell School that was required to do comparative case study analysis and high-quality state-of-the-art research.

Perhaps the best summary of the situation emerged in the comment of one USAID/Kathmandu member, when he observed that all the parties "thought there was a match-up of the different agendas, but it turned out not to be the same match-up." Doubtless a contributory factor here was the sequence that occurs so often in USAID whereby one group of people at a mission puts together the concepts and lays the groundwork for an activity but then departs at end of tour, so that others with different backgrounds, orientations and expectations are then called upon to implement it. In this case several crucial people left USAID/Kathmandu at the key juncture between design and implementation of the DFM buy-in, including the Rapti Project Manager who had been a public administration specialist and who was replaced by an agronomist. This is not to say that any particular disciplinary orientation is required for working with DFM, but it does appear here that the change in personnel may have had some infelicitous impact on how the different parties related to each other.

A crucial issue:

DFM's experience in Nepal in many ways sums up and characterizes the most important question facing the project: can the agendas that drive USAID mission needs and those that propel academic research on development be compatible? That they could be not only compatible but even symbiotic and hopefully synergistic was a fundamental assumption underlying the whole DFM effort from its beginning. To an extent there has in fact been a fruitful complementarity of agendas. The irrigation case study analysis was thought on all sides to be most useful, and there are some indications that the analogous forestry analysis will also be a good piece of work when it is finally completed. It is less clear that there will be great interest in more general aspects of water management, though perhaps the "Crafting Irrigation Institutions" (Ostrom 1991) paper (which is based in significant measure on the Nepal experience) will excite enthusiasm when it arrives at the USAID mission Kathmandu.

The longer-term comparative work on Nepali irrigation user group management now in progress at the Indiana Workshop raises the same issue in a more funda-

mental way. When finished, this study will certainly be one of the most important contributions DFM makes to our understanding of the dynamics and potential of a crucial aspect of the development enterprise. Indeed, the analysis of this rich database will almost certainly be a primary foundation stone for whatever lasting contribution to the development field that DFM eventually makes. Yet the mission did not evince much enthusiasm for this work, for it did not promise to make a direct contribution to USAID/Kathmandu's ongoing project activity.

It is fortunate that NSF moneys are available to support the database work at Indiana, since it does not fit into the activities funded by the DFM core or by USAID missions. In fact, the multiple sources of funding enjoyed by the Indiana Workshop would appear to be a strength of DFM in that the more practical mission-related activity it sponsors does fit so well with the more academic effort that can draw NSF funding. But such a mixture will probably always be a bit uncertain, perhaps even precarious, for USAID missions are not going to be sympathetic toward state-of-the-art research, while in university circles academics who spend too much time on applied consulting work are in danger of losing their credibility with colleagues. Nor can these orientations be expected to change; missions are supposed to engage in project activity, while the academy believes its calling to be furthering basic knowledge. Nurturing an enduring relationship between the two sides will always be a challenge.

Indonesia

DFM's involvement in Indonesia demonstrates the project's ability to successfully respond to missions' project driven needs for technical assistance while simultaneously supporting theoretically oriented "cutting edge" action research drawing together and integrating DFM's underlying theoretical perspectives. It also demonstrates the benefits of a centrally funded project's ability to build on the experience garnered from involvement in a range of countries both to the missions' narrowly defined technical assistance needs and to the broader development thinking of development practitioners and academics. At the same time, DFM's experience in Indonesia underscores some of the structural constraints impeding the project's ability to attract long-term mission buy-ins.

Indonesia was one of the missions visited by the DFM design team in 1986 to ascertain interest in the project from mission personnel. At that time, six special studies under the Jakarta mission's (USAID/Jakarta's) Rural Roads Maintenance Systems (RRMS) project were identified as fitting into DFM's frame of reference. To date, USAID/Jakarta has contracted DFM to undertake two of these special studies. The first one, the "Special Study on Contractor Performance" began in May of 1990 and was completed in December of that year (Connerley and Siegel 1990; Connerley et al., 1990). It undertook an in-depth examination of actual and desired roles of the In-

donesian public and private sectors in the design, construction and maintenance of district roads.

The second effort, the "Special Study on Local Resource Mobilization for Road Maintenance" got underway in August 1990 and has just recently been completed (Schroeder et al., 3 volumes, 1991). This study examined the existing adequacy of district revenue bases for financing the maintenance of rural roads and recommended policy changes to strengthen the fiscal ability of districts to provide for the maintenance of rural roads. It recommended and designed pilot projects to mobilize additional resources for rural roads maintenance.

At the outset, USAID/Jakarta seemed a promising candidate for a long-term DFM buy-in. The series of studies identified in 1986 would not only provide practical guidance for implementation of the RRMS project, but also promised broader policy advice through which USAID/Jakarta could leverage its contribution to decentralization and structural adjustment in Indonesia generally and roads infrastructure provision and maintenance in particular. From DFM's perspective, the scope for the design and implementation of pilot roads maintenance projects promised an arena for action research through which IA's theoretical concepts could be tested. USAID/Jakarta's broader interest in promoting legal and policy changes supportive of polycentric decentralization, coupled with the Government of Indonesia's apparent receptivity to these initiatives held out the potential that DFM might test its approach on a broader set of decentralization activities and have a more enduring impact on the mission's and host country's approach to decentralization.

DFM's responsiveness to mission needs:

USAID/Jakarta's positive response to the two studies undertaken by DFM demonstrates that the project's analytic approach can provide practical guidance which is responsive to mission needs. Mission personnel, officials of the government of Indonesia (GOI) and executive personnel from the primary contractors for RRMS, STV/Lyon, all commented on how useful they found the reports and insights emerging from these studies. One USAID/Jakarta staff professional working closely with the RRMS project commented that he thought the substance of what the DFM teams did was the "best we have had" and in addition seemed to be leading to new things.

Although there were some minor concerns on the part of mission personnel and others that the write-up of the contractor study should have more diplomatically addressed the issue of corruption and might have gone further in systematically addressing the feasibility of several recommendations, this report was found useful not only by those directly concerned with the RRMS project, but also by a broader group of mission personnel. As to the second study, the sentiment expressed was that no one could have done a better job. The experience gained from DFM's ana-

lytic approach and its work with rural roads maintenance in Bangladesh was widely recognized as contributing to the usefulness of this study.

Both reports were seen to provide a strong basis for policy dialogue by USAID/Jakarta. The usefulness of DFM's work in this respect was found to extend beyond the mission's involvement with roads. Several people we spoke with in the mission viewed the roads studies as providing useful information on the generic issue of devolving power to the local level. Other indicators that DFM's approach and findings are proving useful to the mission include the adoption of economic efficiency issues as a primary criterion in planning the road selection process by USAID/Jakarta and their advocacy of this approach to the Government of Indonesia, the design of a new project dealing with Commercial Law (USAID, Indonesia PID, December 1990) drawing on several of the findings of the DFM contractors study, and an expressed desire on the part of mission personnel to undertake short-courses on DFM's analytical approach. (It is also noteworthy that mission personnel involved with RRMS were using DFM terminology and concepts — such as common understanding of rules and uniformity of rules application — in their discussion of the roads project.)

DFM's broader agenda:

The pilot projects designed as a part of the Local Resource Mobilization Study support DFM's broader agenda of action research to further development thought and policy among the wider community of practitioners and scholars. These pilots promise to provide critical information on the institutional arrangements (the structure of rules) necessary to support sustainable rural roads infrastructure, and a test of the theory underlying DFM. It is also clear that the mission is committed to implementing these pilot projects and considering further pilots. What seems less likely is that a buy-in from DFM will be sought to undertake the implementation of the pilot projects, although a small buy-in to enable DFM to monitor the implementation of the pilots does seem probable. While the monitoring of the pilots will facilitate DFM's broader agenda, direct implementation of the pilots themselves would clearly have been more supportive of the project's objectives.

DFM has demonstrated its ability to respond to mission needs in Indonesia. The pilots are viewed as an integral component of the RRMS project and the knowledge gained from their implementation is anticipated to provide a strong basis for effective policy dialogue to promote legal and procedural changes for decentralization. Further, the conceptual approach of DFM has been recognized as important by several mission personnel.

Why then, is the mission reluctant to secure a long-term DFM buy-in to implement the pilots? The answer to this question revolves around the issue of mission willingness to have two or more TA components under one project and have several

institutional contractors, including a centrally funded project, as a management responsibility. In the Indonesian case, the mission is not willing to have two main contractors on the same project. The expressed concern arises less from the increased management responsibility of doing so than from the fear that conflict between the separate contractors would likely ensue. A single primary contractor was viewed as critical for the smooth implementation of the entire RRMS project.

There is also a financial matter at issue in the form of a perception that the overhead implicit in buying in to the DFM project is greater than other means of implementing the pilot project. Further, recent regulations from USAID/Washington seemed to USAID/Jakarta to insist that buy-ins for amounts over \$250,000 be competed.⁵ The cost of implementing the pilots is expected to exceed this amount, and it was unclear whether a waiver could be obtained. Finally, as was noted in Nepal, the mission is reluctant to relinquish control for implementation to ST/RD.

In sum, while the quality of DFM's inputs to the RRMS project are viewed as excellent, the mission remains unconvinced that the benefits to be gained from having DFM, as opposed to the primary contractor for RRMS, implement the pilots outweigh (a) the risk of potential conflict between multiple major contractors, (b) the loss of management control and (c) the perceived additional financial and information seeking/bureaucratic costs of securing implementation of the pilots through a long-term buy-in. While the mission felt the services of DFM were critical for effectively designing the pilots, they were less convinced that DFM's inputs were critical for their successful implementation.

Bangladesh

At the beginning of DFM, Bangladesh seemed one of the countries most likely to request long term assistance. DFM's predecessor enterprise, the Local Revenue Administration Project (LRAP), had provided TA over a number of years in the early 1980s, centering on roads and local revenue mobilization, and the government of Bangladesh (BDG) itself had begun a decentralization initiative in the mid-1980s which was still feeling its way in the latter part of the decade. Moreover, the USAID mission had been receptive to DFM during earlier reconnaissance visits from ST/RD. Thus rural infrastructure, LRM and decentralization were all involved, making Bangladesh an ideal country in which DFM might operate.

And indeed, in the first years of the DFM project, Bangladesh received more assistance than any other country. Through FY 1990, the USAID mission in Dhaka (USAID/Dhaka) had subscribed for slightly more than \$700,000 worth of buy-ins, largely in connection with three activities, all relating to roads. First, a DFM team

⁵ See the discussion of this issue in the main report, subsection II.3 on "Delayed long-term buy-ins."

produced an evaluation of the Feeder Roads Maintenance and Improvement Project (FRMIP) in the first half of 1989 (Gephart et al. 1989). This report supported earlier assessments⁶ that too much emphasis in FRMIP had gone to its "improvement" aspect and too little to its "maintenance" component, and it recommended serious policy and institutional improvements in any USAID-assisted road activity in Bangladesh.

Simultaneously with the FRMIP evaluation, DFM also conducted a sector assessment of local level roads (Connerley et al. 1989a and 1989b), which featured 12 intensive case studies. The report concluded with a number of detailed policy, technical and financial recommendations, which in turn provided the basis for a new local roads project initiative that led to the third major DFM activity in Bangladesh.

For the new roads project, USAID/Dhaka was contemplating combining the CARE Food for Work (FFW) program with a follow-on to FRMIP. Here DFM provided a review of the CARE FFW program then in place and a PID for a new enterprise to be called the Integrated Food for Development (IFFD) Project. In the CARE review (Fitzcharles and Connerley 1989), DFM recommended strongly that CARE emphasize development more and relief less in its FFW program, reduce its geographical coverage, expand its monitoring efforts and experiment more with the BDG's decentralization initiative then under way. Although there was support for reorientation of FFW activity from other quarters including USAID/Dhaka,⁷ the DFM report occasioned considerable controversy, particularly from CARE/Bangladesh, which had viewed itself as being a model of effective monitoring and as being very much development- as well as relief-oriented. Further, some at USAID/Dhaka felt the DFM team was less diplomatic than it could or should have been in presenting its conclusions, though the DFM team leader felt he was in fact representing the AID mission's thinking as well as the team's in the report.

Despite the contention, however, a DFM team was asked to prepare a PID for the new IFFD effort, which it completed in March 1990 (Wenger and Fitzcharles, 1990). The PID passed review in Dhaka and at AID/W. It also found a place in USAID/Dhaka's Country Development Strategy Statement (CDSS) for FY 1991-95 that appeared in June 1990 and in fact was proposed in the CDSS to be the largest single project in the USAID/Dhaka portfolio for the upcoming five-year period (USAID 1990b: 50 and 67). In this same CDSS, however, it should be noted that local govern-

⁶ It had already been decided to terminate FRMIP before the DFM evaluation took place. The purpose of DFM's analysis was to help lay the foundation for a new USAID road effort in Bangladesh.

⁷ Several donors along with AID had sponsored a major in-depth study of food-assisted development in Bangladesh, and had reached conclusions and recommendations somewhat similar to DFM's. See SIFAD (1989). Also, the AID mission director decided to shift FFW from a separate Food for Peace arrangement to the Project Development and Engineering Office at AID/Dhaka, thereby underlining a development rather than relief orientation.

ment and decentralization concerns were given a much lower profile in the mission's strategy than had been contemplated earlier, thereby making DFM potentially less relevant to the mission's immediate needs.

At this point it is not clear what will happen to IFFD itself or whether DFM will have a role in the future evolution of IFFD. While the previous AID mission director and project officer in the Project Development and Engineering (PDE) Office (which had responsibility for IFFD) backed IFFD and were supportive of DFM's work, now a new mission director has taken over in Dhaka, and in PDE a new project officer will soon take charge as the incumbent reaches the end of his tour there. Presumably they will follow through on the CDSS intention to fund an IFFD project, although infrastructure activities currently appear to be becoming increasingly less important to USAID in general. But present indications are that DFM may well not be asked to do further work on developing the project. Thus what had been anticipated to be a long-term buy-in for DFM will probably not materialize.

There would seem to be four factors at play in determining what will likely be the end of DFM's involvement in Bangladesh. First, DFM appears to have been caught in the middle between a USAID mission that wanted serious changes in CARE's FFW program and a CARE office that resisted these same changes. Filling such a role is of course one of the principal rationales for hiring consultants in the first place, and DFM must expect to do so on occasion, but this realization does not make the task easier or the performance of it more agreeable. Second, the DFM team may have been more confrontational in addressing the need for CARE to change than was necessary. Third, the AID mission in Dhaka apparently decided to downgrade the priority of local government and decentralization as sectors to be supported, and DFM is a project which views those very topics as central to the whole development effort. And fourth, mission personnel who favored the DFM approach were replaced by others who were less convinced of its worth, as also happened in Nepal.

Cameroon

The experience of DFM in Cameroon offers several lessons concerning the power of DFM's theoretical framework to address a broader range of development issues, and the synergy possible between mission programmatic needs and DFM's broader mission to advance the state of development policy thinking.

The interest of Cameroon mission officers in DFM's theoretical framework predates the start-up of DFM. An officer currently assigned to the Project Development and Evaluation office (PDE) in the Cameroon mission (USAID/Youndé) spent a month during 1984 at the Workshop for Political Theory and Policy Analysis at Indiana University. During that period he became convinced of the power of institutional analysis/new institutional economics to inform development policy, and since then he has maintained close contact with one of the Workshop's faculty who is also a

DFM consultant. Under a consultancy through Ernst & Young in 1986, he engaged the consultant in a series of seminars for mission personnel on DFM's underlying methodology and its application to the mission's Fertilizer Subsector Reform Program (FSSRP). The activist role played by this mission officer in promoting DFM's underlying methodology, in combination with a broad dissemination of the IA approach to mission personnel and the continuing collegial relationship between him and Workshop faculty, has resulted in USAID/Youndé's commitment to apply DFM's methodology to a range of mission activities in Cameroon.

The first USAID/Youndé buy-in to DFM came in April of 1990. It was funded under the mission's Program for Reform of the Agricultural Marketing Sector (PRAMS) (USAID, Cameroon, PAAD, August 1990) and comprised two activities: (1) diagnosis of the causes of the problems besetting producers and marketers of arabica coffee coupled with the design of alternative privatized institutions to overcome the sector's problems; and (2) a series of seminars to familiarize mission personnel with DFM's underlying methodology and introduce it to interested public and private Cameroonian institutions involved in implementing Cameroon's Structural Adjustment Program (SAP).

A second USAID/Youndé buy-in to DFM came in October of 1990 to provide short-term technical assistance to the coffee cooperatives in line with the restructuring program for the arabica coffee sector recommended in the initial buy-in. Together, these buy-ins obligated \$365,000 of USAID/Youndé funds.

A third buy-in to DFM is anticipated in the near future, to undertake analytical research on and monitor the restructuring program. The restructuring program itself will be implemented via a non-DFM long-term technical assistance project. This third DFM buy-in will be a long-term effort, although the commitment of funds will be less than had the mission involved DFM directly in the implementation of the restructuring program. However the buy-in does provide DFM with an excellent opportunity to field test IA. Four issues will be addressed by DFM's research in the Cameroon: (1) the relative merits of an IA microinstitutional approach as opposed to the World Bank's more macroinstitutional approach to structural policy reform; (2) the relative advantages and disadvantages of cross-sectoral reform versus separate reform programs for each commodity group; (3) institutional factors that facilitate or threaten structural policy reforms; and (4) the efficacy of using policy reform aimed at economic decentralization as a long-term strategy for promoting democratization.

It also seems probable that buy-ins from DFM will be sought to design restructuring programs for robusta coffee, cocoa and input supply to be undertaken as part of the second and third phases of PRAMS. Finally, a buy-in may also be sought to assist in the design of legal reforms supporting privatization and structural adjustment in Cameroon.

DFM's work in Cameroon represents a departure from the project's focus on roads and irrigation infrastructure and natural resource management. In assessing the wisdom of this departure, several issues arise: (1) whether it falls within DFM's mandate as broadly construed; (2) whether DFM's activities in Cameroon have diverted it from acquiring a sufficient body of experience on roads, irrigation and natural resource management to enable it to draw generalizable lessons; and (3) whether the directions embarked on in Cameroon are relevant to A.I.D.'s current policy foci and policy initiatives.

In the view of the mid-term evaluation team, DFM's work in Cameroon represents one of its most successful efforts to integrate the separate theoretical frameworks into a coordinated activity and promises to have a significant impact on development policy and practice in Cameroon. The directions explored in DFM's Cameroon work focus on cooperatives and parastatals and encompass issues of economic and political liberalization including privatization, democracy and governance, all of which are key aspects of A.I.D.'s existing and emerging policy initiatives.

The mid-term review team also feels that the experience on roads infrastructure necessary to draw generalizable conclusions will be acquired from projects already on line or anticipated. Thus the new direction begun in Cameroon is not expected to prove counterproductive to DFM's potential contribution in this respect.

DFM's work in Cameroon demonstrates the synergy possible between mission needs and DFM's broader objective to improve the state of development policy and thinking. Cameroon has provided a laboratory for advancing the practical development of DFM's methodology to a wider range of development problems. It is clear that DFM's methodology has been effectively disseminated to a core group of mission and host country personnel and that it has proven fruitful to the mission's practical development work. While the review team has less information on how well IA has been received and put in practice by host country professionals, its influence appears to have been greater than in most of the other countries where DFM has worked.

The methodology's impact on the Cameroon mission's and government's thinking in large part traces to the PDE officer's advocacy of it. His understanding of the methodology and its power to inform development thinking and policy in turn results from his one month's immersion experience at the Workshop in Political Theory and Policy Analysis. The lesson to be drawn is that the development of a short-term training course for mission and host-country professionals is likely to prove a potent tool for increasing DFM's long-run impact.

Philippines

Despite the Manila mission's (USAID/M) early expression of potential interest in a long-term buy-in to DFM, and several successful short-term buy-ins, at this juncture it is exceedingly unlikely that a long term buy-in (or even further short-term buy-ins) will transpire. DFM's experience in the Philippines points to several factors inhibiting the project's ability to attract long-term buy-ins.

DFM undertook three assignments in the Philippines, two in conjunction with the design of USAID/Manila's Local Development Assistance Program (LDAP). The first of these considered the potential of national, local agencies and non-governmental organizations (NGOs) to support LDAP. The outputs of this study included a report examining how various agencies in the Government of the Philippines (GOP) might best support LDAP, the development of a methodology to assess the capacity of local government units (LGUs) to administer and implement infrastructure development programs and an analysis of the roles of national and local NGOs and their relationships with LGUs. These studies were undertaken in the last quarter of 1988 (Dalton et al. 1989).

The second assignment came in the first quarter of 1989 and involved the evaluation of the Upland Access Component (UAC) of the Rainfed Resources Development Project. The UAC was designed to improve the access of upland Filipinos to government and nongovernment services by extending the network of local rural roads, trails and bridges to remote areas and to demonstrate the potential for labor intensive methods to maintain rural infrastructure while generating employment. (Thomson et al. 1989) The third assignment, undertaken in summer 1989, assessed the fiscal system and revenue administration capacity of LGUs. This third study was also connected with design activities for LDAP (Hubbell et al., 1989).

The Philippines presents a case where DFM and mission interests coincided and where short-term buy-ins provided the mission with first hand knowledge of DFM's capacity to service mission needs. Discussions with USAID/M mission personnel now posted at AID/W indicate DFM's work in the Philippines was well received. In particular, DFM's work was said to have played a critical role in the evolution of the mission's thinking on the design for LDAP. Further, the mission was reportedly impressed at the speed with which DFM's services could be mobilized and the responsiveness of DFM to the mission's needs. Why then didn't USAID/M seek DFM's long-term involvement in the implementation of LDAP as initially anticipated? Several contributing factors emerged from our discussions.

First, some at the mission apparently felt it was inappropriate to fund the same contractor to both design and implement a project. Similar concerns were expressed by several others in the review team's more general discussions related to DFM's experience with other missions. This presents something of a dilemma for DFM. Mis-

sions are understandably exceedingly reluctant to allocate a sizable chunk of their funds to a central mission buy-in without first being convinced that the central project has something unique to offer and will deliver a high quality product. The best proof of this comes from producing a high quality product for the mission which demonstrates that DFM's approach can effectively address programmatic needs. Unless core funding is available to undertake such demonstration work (and possibly even if core funding were provided for demonstration work) DFM will need to demonstrate its ability to service mission needs on the basis of short-term buy-ins giving rise to what many will view as a conflict of interest if DFM were to receive a long-term buy-in. Various missions may perceive the seriousness of such a conflict differently, and missions are more likely to set these concerns aside the greater their conviction that DFM offers an approach that is unique and critical for their project.

A second reason offered for the mission's decision not to seek a long-term DFM buy-in revolved around the mission's interest in and commitment to local researchers' participation in the provision of technical assistance. Some in the mission felt that the kinds of technical assistance necessary could easily (and more cheaply) be provided by local researchers. A buy-in consistent with this objective, and of important consequence to the dissemination of DFM's methodology, could have been designed whereby DFM provided training in its methodology to host country researchers, facilitating their provision of IA guided technical assistance to the mission. Such an umbrella buy-in design would have to be predicated on a mission conviction that IA provides critical insights with broad based applicability to the mission's research and consulting needs. But it does not appear that such a conviction existed at the Philippine's mission.

In this respect, several points are relevant. A delicate balance exists between being responsive to missions' needs and demonstrating the power of DFM's methodology. The balance struck in the Philippines may have weighed in too heavily on the side of responding to mission needs, with the result that the unique methodology offered by DFM was not fully appreciated by the mission. Nor was DFM able to educate mission officers on the potential of IA by presenting seminars on IA at the mission. The provision of core funds to support such seminars might have prompted the mission to envision a DFM buy-in focused on building host country research capacity in IA. Similarly, it might have prompted the mission to set aside its concerns revolving around a potential conflict of interest.

Third, discussions with mission personnel indicate that contract officers feel pressure to push for competitive procurement. Some project officers are under the impression that contract awards of over \$250,000 must be put out for competitive bid, and of course DFM cannot bid on competitive procurements.⁸ In the case of the

⁸ Although its contractor can bid independently, as ARD did for one of the LDAP long-term components, which in the event it won.

Philippines, this was another factor dissuading the mission from seeking a long-term buy-in from DFM. The technical assistance component of the LDAP project design which might have been undertaken by DFM called for \$1.5 million in funding. DFM's record with other missions in attracting buy-ins of well over \$250,000 indicates the \$250,000 threshold for buy-in decisions has not been hard and fast.⁹ Whether buy-ins in the range of \$1.5 million are feasible or not under current procurement directives is an issue requiring further investigation. The Philippines experience also demonstrates the critical importance of continuing communication with mission personnel. Had DFM been aware of the mission's concerns regarding large procurements, it might have been able to put any ill-founded concerns to rest.

Zaire

All evidence indicates that DFM's involvement in Zaire will evolve into a long-term buy-in of DFM services and that accordingly it will become one of DFM's demonstration countries. However, DFM's earlier experience there suggests that the project's expectation of bringing three demonstration countries on board within the first three years was overly ambitious. DFM's experience in Zaire illustrates some of the hurdles that must be surmounted to secure a long-term buy-in. It also speaks to some of the pitfalls involved in attempting to combine technical assistance tailored to missions' programmatic needs with state-of-the-art research. Finally, there is evidence from Zaire that DFM's work at the mission level is having an impact on other donors.

DFM's association with the Zaire mission (USAID/Kinshasa) began in 1988 when the mission requested DFM's assistance in conjunction with the mission's efforts to address the problems of the Zairian transport sector. DFM conducted a preliminary appraisal of the transport sector on the basis of which it proposed a multimillion dollar program for applied research and demonstration activities supporting sustainable road maintenance strategies in the Central Shaba area.

Several factors appear to have led to USAID/Kinshasa's rejecting this proposal. First, the mission did not feel it was wholly relevant to the mission's specific needs. The mission's response to the mid-term review team's questionnaire suggests the mission viewed the DFM proposal as capturing mission funds to further its own long-term research agenda but offering only a limited pay-off for mission goals. The experience demonstrates the potential conflict between DFM's research agenda and mission needs.

An important point to note here is that the Zaire proposal was written during DFM's initial year of operation. The satisfaction of other USAIDs in DFM's ability to

⁹ For a brief discussion of the \$250,000 threshold, see subsection III.3 in the main report.

tailor its services to meet their needs suggests the lessons learned in Zaïre were taken to heart and that although the potential for conflict between the project's research agenda and the missions' programmatic needs is real, DFM has, over time, evolved means of surmounting the problem.

Discussions with other personnel involved with DFM's activities in Zaïre, along with subsequent developments in DFM's involvement there, suggest that an additional factor contributing to USAID/Kinshasa's rejection of the proposal was a DFM expectation that the mission would be willing to undertake a major long-term buy-in without having had first-hand experience with DFM's capabilities. USAID/Kinshasa is not an exception in this respect. To date, no mission has been willing to entertain a major buy-in without first acquainting itself with DFM's capabilities through a series of small short-term buy-ins. To do so would entail a leap of faith on the part of a mission.

Despite this inauspicious beginning, later on USAID/Kinshasa was prompted to solicit DFM's participation in developing its Transport Sector Reform Project (TRP), albeit after a year's hiatus and in a cautious incremental fashion. Among the factors determining the change in heart at the mission were the overriding relevance of the issues addressed in the unaccepted proposal, the importance attached by the mission to finding ways to halt the deterioration of infrastructure in Zaïre, and the mission's perception of the positive contribution DFM's theoretical focus could make in addressing this problem.

In the summer of 1989 USAID/Kinshasa undertook a buy-in of DFM services for an overview of the roads subsector in Zaïre, including an assessment of the capability of the local finance system and an analysis of institutional factors involved in regional and local provision and production of road maintenance services (Siegel et al. 1990). Subsequently, in the spring of 1990, a second buy-in of DFM services was secured to undertake further studies relevant to the design of the TRP (Hall, Siegel and Maxson 1990). Feedback from mission officers indicates the mission was very well satisfied with DFM's work.

USAID/Kinshasa has been mindful of DFM's broader research agenda and linked the work to it, while carefully guarding its prerogative to define the questions guiding DFM's activities in Zaïre. The mission's cabled response to the mid-term review team's questionnaire states that the mission views DFM's broader research agenda as "synergistic [with mission needs] when viewed in relation to the social, economic and political phenomena occurring in Zaïre today." The final design of the TRP includes applied research activities linked to decentralized solutions to the problem of financing rural infrastructure maintenance. In particular, the work envisioned will: (1) identify the conditions for and institutional and financial constraints to decentralized provision and production of road rehabilitation and maintenance; (2) test various institutional arrangements for this purpose; and (3) propose policy reforms and other measures to promote resource mobilization and institu-

tional initiatives for road maintenance. These activities are highly relevant to DFM's long-term research agenda and provide opportunities to field-test IA. Moreover, it is almost certain a long-term buy-in of DFM services will be used to implement this applied research program.

Despite the mission's satisfaction with DFM's work, and the synergism between mission and DFM interests inherent in the applied research activities, there have been obstacles to securing DFM's implementation of them. The mission has been reluctant to have more than one contractor involved in the implementation of the TRP. The administrative burden of multiple contractors is viewed as too costly by some in the mission. Related to this fact, some gaps in communication during the negotiations nearly resulted in DFM's loss of this buy-in. The issue appears to have been resolved in DFM's favor, but better communication earlier on between ARD, ST/RD and Zaïre mission personnel could have averted the crisis. The lesson here is that missions' (Zaïre is not the only mission concerned) reluctance to have more than one contractor as an administrative responsibility is an obstacle to securing long-term buy-ins. It is not an insurmountable obstacle, but good communication between the parties involved is necessary to surmount it. Finally, political events resulting in a cut in the mission's funding put the TRP in danger for a time. This final event serves as a warning that events outside the control of either the mission or ST/RD can jeopardize DFM's prospects for securing long-term buy-ins.

As a final comment on DFM's experience in Zaïre, it is relevant to note that its work there has had an impact on a larger set of donors. A cable from the mission states that: "USAID research in decentralization has captured the imagination of the World Bank who plans to use methodology elaborated in [DFM's] second study to pilot local administrative initiatives in its Feeder Road Maintenance project which has been closely coordinated with the Transport Reform Project. The Canadians are initiating similar local resource mobilization experiments in the North Kivu Region of Zaïre." This evidence speaks positively to the long-run impact of DFM on development thought and practice.

The Sahel West Africa Office Africa Bureau

The Sahel West Africa Office of AID/W's Africa Bureau (AFR/SWA) has sponsored a series of modest buy-ins to DFM. These buy-ins demonstrate the potential for such activity to disseminate DFM's methodology to the international donor community on a basis which promises to continue DFM's influence on development policy and thinking beyond the life of the DFM project.

In 1988, AFR/SWA undertook a buy-in to the DFM project to prepare a study detailing options for user-based governance of natural resources in the Sahel for a historic Sahel region-wide roundtable in Segou, Mali sponsored by the Organization for Economic Cooperation and Development and the Inter-state committee for Drought

Control in the Sahel (OECD/CILSS) and attended by representatives of local rural organizations, government agency personnel and donor officials. DFM produced an options paper (Thomson, Waldstein, Gellar and Miner 1989) applying the IA theoretical framework to draw lessons from a set of donor sponsored renewable natural resource management projects. This document was presented in December 1988 at a Club du Sahel Donor Advisory Group conference in Arizona and at a seminar in Washington in May 1989 sponsored jointly by A.I.D. and the Canadian International Development Agency (CIDA) for representatives of the American and Canadian PVO community as well as at the Segou May 1989 round-table. The report has captured attention from both the international donor community and Sahelian governments.

The options paper (Thomson et al. 1989) played a role in the selection of decentralization as one of the three priority areas for further study and Sahel-wide policy dialogue by those attending the roundtable, and in the Government of the Republic of Mali's (GRM) request to the Mali mission (USAID/Bamako) for assistance in developing a decentralization policy. AFR/SWA funded a second buy-in to DFM to assist the GRM to clarify its needs and expectations regarding decentralization and to prepare a general decentralization strategy for the GRM guided by DFM's lessons for development policy and thought (Geller et al. 1989). A second component of this AFR/SWA buy-in was the preparation of a manual for USAID mission personnel and private voluntary organizations (PVOs). A third buy-in by AFR/SWA has been secured to prepare a series of position papers on strategies for redirecting the efforts of Sahelian government agencies to support local user group needs.

The 1989 options paper has also led to a series of studies funded by Club Du Sahel on decentralization, governance and renewable natural resource management, all drawing on DFM's methodology and utilizing DFM consultants. A review of the World Bank's document specifying its agenda for Africa in the 1990s also reveals that the lessons learned from applying DFM's methodology to natural resource problems in Africa (and the options paper in particular) have had a profound impact on the World Bank's development policy and thinking on the issue. Additional follow-ons to this work also appear to be forthcoming under the sponsorship of CILSS.

Unfolding Assistance Efforts

Three assistance efforts are currently coming on line. The first, in Niger, extends DFM's experience on decentralized finance for the provision of local public goods. The second, in Madagascar, extends DFM's work in the common property resource sector to environmental management. The Madagascar mission is funding two projects focused on the preservation of wildlife. The first, "save-em", will be carried out by an environmental NGO while the second, "keep-em", will be implemented by DFM. This second project is designed to ascertain the institutional and legal

changes necessary to support the preservation of wildlife and includes a training component in Madagascar for local institutional groups.

The third unfolding assistance effort is a regional bureau (AFR/DP/PPE) buy-in and considers the potential role of decentralization in simultaneously improving economic performance and promoting improved governance. Specifically, the scope of work calls for (a) a review of the theoretical rationales for and practical approaches to decentralization as a means to improve economic performance as well as political and economic participation in Sub-Saharan Africa; (b) the in-depth study of three decentralization efforts — Côte d'Ivoire, Ghana and Nigeria — utilizing an IA approach; and (c) the development of policy options for including decentralization as a means to facilitate economic (structural adjustment) and political (governance) reforms. This third effort, when combined with DFM's on-going work in Cameroon, constitutes an emerging DFM focus on the means to facilitate policy reform or structural adjustment.

Several comments regarding these endeavors bear mentioning. First, the Madagascar mission's interest in engaging DFM expertise derives in part from familiarity with DFM's work gained by mission personnel during their previous postings. While the Agency's practice of rotating personnel between missions and central bureau assignments creates obstacles for DFM by limiting mission officers' time horizon at a given mission (and hence their interest in securing a long-term buy-in of DFM services), it also creates opportunities for DFM as mission officers embracing DFM's methodology move on to new missions. The opportunities side of the equation is likely to play a greater role in the future.

Second, the regional bureau buy-in promises to expose several new missions to DFM's potential and will provide DFM with visibility among the larger donor community. In addition, DFM's broader research objectives will be directly facilitated by this buy-in. These advantages tend to be natural features of central bureau buy-ins, an issue which should be born in mind in DFM's marketing endeavors.

APPENDIX C

DECENTRALIZATION: FINANCE AND MANAGEMENT PROJECT MID-TERM REVIEW

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APPENDIX D

DECENTRALIZATION: FINANCE AND MANAGEMENT PROJECT MID-TERM REVIEW

QUESTIONNAIRE FOR USAID MISSIONS USING DFM ASSISTANCE

1. What led the mission to ask for DFM assistance?
 - knowledge of DFM's expertise at institutional analysis?
 - acquaintance of mission with DFM consultants from previous work they had done?
 - availability of S&T core funding to support DFM consultants?
2. Was the work done by DFM relevant to the needs of your USAID mission? How?
3. In addition to (a) sector expertise (rural infrastructure, decentralization, natural resources management, privatization) and (b) geographical expertise (Francophone Africa, South and Southeast Asia), DFM offers (c) a theoretical focus on institutional incentives, public finance and public choice. Which of these DFM aspects did you find of use to the mission? How so?
4. Was the methodology employed by DFM of interest to the mission apart from its specific context? That is, does the DFM approach appear to have any wider applicability to other spheres of mission activity?
5. Is there interest in asking DFM to supply expertise for other mission work? If so, what kind?
6. Would there be interest at the mission in sending USAID staff to a short course offered by DFM (probably at Indiana University, for approximately one month in the summer, to be funded by AID/W and conducted in connection with home leave)?
7. Would there be interest at the mission in sending USAID staff for a semester or year-long residential program at Indiana University focusing on the DFM approach?
8. Were there any ways in which DFM appeared to be unhelpful in its work for the mission?
9. DFM has both an applied policy/program/project aspect and a research aspect, endeavoring to pursue both at the same time. That is, it seeks both to provide practical advice on specific mission needs while at the same time conducting

state-of-the-art research on development issues. Does it seem to you that these two agendas are compatible (or contradictory? or synergistic)?

10. Did the administrative/logistical aspects of utilizing DFM assistance seem reasonable within the context of USAID's operating environment? Was utilizing DFM relatively smooth from the administrative standpoint, more or less routine, or relatively cumbersome? How would your experience in this regard affect your interest in using DFM again?
11. Is your mission interested in utilizing the long-term demonstration assistance the DFM offers (with its focus on action research and experimentation in project implementation)?
12. Would a greater proportion of S&T funding from AID/W increase mission interest in utilizing DFM services?
13. Ideally, at least some of the DFM approach will be adapted by host country officials in their own development policy analysis and project/program evaluation. Has DFM assistance facilitated such an acceptance? Could it? How? Would training host country officials in DFM (perhaps in short courses at Indiana University or at third country sites) be useful?

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Title of Project: Decentralization: Finance and Management
 Form PV 95
 Total U.S. Funding: \$12.01M (50%) (\$6.0M)
 Date Prepared: 4/13/87

Project Title & Number: Decentralization: Finance and Management

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: COM: People benefit from econ. growth, increased income, and wide access to goods and services. SUBCOM: Sustained usefulness and use of rural infrastructure.</p>	<p>Measures of Most Achievement: Economic growth, changes in income attributable to infrastructure use. Increased use of schools, health facilities due to road access. Condition of infrastructure over time. Accessibility to users, equity in access. Recurrent costs covered. Increased productivity of irrigation or natural resources.</p>	<p>Time series data of local jurisdiction. Interviews or surveys of local government and non-governmental people affected. Applied research/studies, USAID evaluations and project monitoring.</p>	<p>Host Country (HC), provides sufficient money authority to local jurisdictions. National government policies satisfactory. Public order and market links satisfactory. Infrastructure design and construction satisfactory. Local institutions, elite, permit wide access.</p>
<p>Project Purpose: Increased decentralized capacity to finance, manage and maintain rural infrastructure.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status (expanded authority/influence of local jurisdictions/people. Improved match between tasks and jurisdiction assigned them. Improved incentives for maintenance, accountability. Effectiveness of maintenance operations over time. Efficient/effective collection/accounting for revenues/fees.</p>	<p>As above, plus feedback from IA and training personnel.</p>	<p>Assumptions for achieving purpose: Local incentive systems permit change. Local people/interest groups accept need to pay recurrent costs. USAID buy-in of sufficient magnitude. Adequate numbers of educated/trained people for demonstrations to succeed.</p>
<p>Outputs: (A) Baseline state-of-art, country planning studies; (B) country demonstra. of infrastruc. maint., finance, mgt. changes; (C) country assc. products (analyses, plans, evals., reports, trained people, operating systems changed); (D) R&D network establishing, meetings materials disseminated; (E) R&D reports, publications; (F) guidance inputs.</p>	<p>Mileposts of Outputs: (A) 1 set, 3 country studies; (B) three countries; (C) five countries, recurrent supports; products as specified by USAIDs. 600 people trained in 24 sessions, 8 countries; (D) AID, IARD, 1 other donor, LDCs; 3 workshops, 2 conferences; (E) 1 book, 4 articles, 18 reports, 1 EOP state-of-art paper; (F) 1 interim; 1 final</p>	<p>Technical reviews, publications, USAID and S&I evaluations, formal/informal host country reports/feedback. Dissemination events, LDC/donor organization/expert reports/feedback.</p>	<p>Assumptions for achieving outputs: Procurement achieves right mix of skills. USAID buy-ins permit intensive demonstrations. HC operational and support institutions cooperate. USAID engineering prime contractors cooperate. Local organization, skill levels sufficient to take on new functions.</p>
<p>Inputs: Applied res., analysis, IA, consulting org. devel. and training. Dissemination, communication. Core, AID/W. 24 person-yrs. of prof. svcs. (incl. consultants), 10 person-yrs. admin. svcs. USAIDs 37 person-yrs. U.S. prof. 14 person-yrs. U.S. admin. 13 person-yrs. LDC prof. 13 person-yrs. LDC admin.</p>	<p>Implementation Target (Type and Quantity) Type: "State-of-art" 1st yr., 7th yr. Demo. countries, 3 by 2nd yr. Support countries, 5 by 4th yr. Training Sessions, 20 USAID-funded country assc. or applied res. products, 20 Documents disseminated, 1000 Evaluation/mgt. reviews, 4</p>	<p>Monitoring, tech review, S&I management review, evaluations.</p>	<p>Assumptions for providing inputs: S&I funding level of \$12.01 USAID funding level of Negotiations for multi-party cooperation and inputs successful.</p>

APPENDIX E
DEM PROJECT: MID-TERM REVIEW
PROJECT LOGISTICAL FRAMEWORK

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APPENDIX F

SCOPE OF WORK FOR THE

EVALUATION OF THE DECENTRALIZATION: FINANCE AND MANAGEMENT (DFM) PROJECT

I. Activity to be Evaluated

Decentralization: Finance and Management (DFM) 936-5446 Contract
No. DHR-5446-Z-00-7033-00

Total Contract Cost:

S&T Core: \$3,430,991

Mission Buy-ins: \$4,879,739

Initial FY: 1987

Final Contract Year: 1992

PACD: September 29, 1992

II. Purpose of the Evaluation

A. Reasons the evaluation is needed: An evaluation of this project is needed to determine the (1) relevance, (2) effectiveness, (3) efficiency, (4) impact, and (5) sustainability of DFM research tools and analysis.

Under relevance the key question is whether the development constraints to decentralization that the project was initially designed to address remain germane to development strategies currently supported by the Agency.

Under effectiveness the key question is whether the project is achieving satisfactory progress toward its stated objectives.

Under efficiency the key question is whether the effects of the project are being produced at an acceptable cost compared with alternative approaches to accomplishing the same objective.

Under impact the key question is what are the positive and negative effects resulting from the project.

Under sustainability the key question is whether the effects of the project are likely to be adopted by host country officials and continued after A.I.D. funding has come to an end.

The evaluators are charged to go beyond mere examination of inputs and outputs and think about the more important questions of (a) why the project is or is not having anticipated effects, (b) what can be done to improve the overall performance of the project, and (c)

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what can be done to ensure that this investment of financial and scholarly resources produces enduring benefits.

B. Key management issues to be addressed: The key management issues to be addressed are (1) whether divergence between the PP and Contract descriptive narrative regarding goals and objectives as well as end of project status (EOPS) language are causing ambiguity regarding project outputs and recommendations; (2) whether S&T/RD should exercise its option to continue the current project for an additional two years; (2) what design changes, if any, would be required for the final two years of the current project; and (3) whether the project, given the focus on long term, in-depth research, should be redesigned for a Phase II follow-on with new procurement.

C. Who will use the results of the evaluation: The results of this evaluation will be used by S&T/RD and ARD to improve the project's ability to (1) set forth more pragmatic conclusions and recommendations based on rapid appraisal or rapid reconnaissance methods; (2) highlight, in the short-term, conclusions and recommendations that should be helpful to USAIDs and HC governments; and (3) come front and center on the potential the project has for relevance to future Agency development strategies, such as, democratization and governance.

D. How the evaluation findings and recommendations will be used: The evaluation findings and recommendations will be used to decide whether the project will (1) continue for an additional two years, (2) undergo any redesign, (3) improve the ability of the project to provide more pragmatic short-term program and policy information regarding constraints or opportunities for decentralization activities in specific situations; and (4) improve the dissemination, networking and coordination process. The project is currently laboring under some generalized misconception of its research capability, i.e., due to its current focus on rural infrastructure, it is often assumed that the research framework has the capability to inform or enlighten only regarding roads and irrigation networks.

III. Background

The Decentralization: Finance and Management (DFM) project was authorized in May 1987 as a seven year research effort to be managed by S&T/RD. The Contract, drawn up as a five year research effort, was won by Associates in Rural Development, Inc. (ARD) as the lead or prime contractor. Indiana University and Syracuse University, as part of the ARD bid, are the sub-contractors and lead researchers responsible for the theoretical framework underpinning this applied research project. An issue that must be addressed in this evaluation is the divergence between the language in the PP and in the Contract.

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The purpose of the project is increased decentralized capacity to finance, manage, and maintain rural infrastructure. On the one hand, the project seeks answers to the question of how developing countries can find means to deliver and pay for essential public services in rural settings - especially maintenance of roads and irrigation facilities - on a sustainable basis. On the other hand, it asks whether particular services have to be provided by government, or whether they might be more suitable for private provision (or a combination of private and public provision). The project assumes that different levels in the hierarchy of developing country administration or government - along with private sector resources - often have complementary roles to play.

The project introduces "new" social science tools, including those drawn from "political economy" and public finance -economics, to support rigorous analysis of alternatives which host countries can use to strengthen institutional arrangements and incentives and find sustainable ways to pay for public goods and services in rural areas. The initial state-of-the-art paper reviews these new tools. Three kinds of services are provided under this project:

Over its PACD it is anticipated that the DFM project will complete in-depth tests of better ways to finance and deliver rural services (including road and irrigation maintenance) in three countries.

NOTE: The evalu-tors are asked to address the fact that this assumption was based on the PP design timeframe of seven years. The Contract is for a five year level of effort.

The project will provide recurrent services to strengthen the impact of USAID rural service delivery or decentralization policy projects in five additional countries. Finally, it will advance the "state-of-the-art" of decentralized service delivery by using and promoting use of rigorous analysis as a complement to practical capacity-building through technical cooperation and training.

Applied Research and Long-Term Field Teams: A key activity during the first two years will be to establish applied research efforts evolving into closely monitored demonstrations of improved host country institutions and financial arrangements for road maintenance or other rural services supported by USAID projects. These long-term efforts, which assume placement of field teams in three countries, will become the heart of the DFM project.

Recurrent Technical Support and Training: Short-term technical support and training teams will provide TDY services for (1) applied research, design or evaluation services, including support to policy dialogue on decentralization issues; (2) consulting and "team building" services to LDC organizations; (3) development of analytic skills, e.g., to improve understanding of institutional incentives, finance and benefit/cost factors in service delivery; and (4) building operational skills and capabilities to implement rural service delivery or cost recovery functions.

Dissemination, Networking and Coordination: As important lessons are learned from field experience and research, the project will ensure the widespread sharing of findings through conferences, workshops, reports, and publications.

IV. Statement of Work

A. General Concerns to be Addressed

1. Administrative and Organizational Concerns: The purpose of these concerns is to examine Mission and host country government interest and commitment as well as the relevance and usefulness of the tools for analysis under this research framework. Evaluators will be asked to address the following issues:

Missions' interest in procuring long-term TA through centrally funded projects.

Missions' willingness to have two or more TA components under one project and have several institutional contractors, including a centrally funded project, as a management responsibility.

2. Substantive Concerns: It is critical that evaluators be very familiar with the intellectual and conceptual foundations of public choice, new institutional economics, and public finance theory; as well as with Agency policies, strategies, and operating procedures. It is also critical that evaluators not be intellectually biased against the social science tools used in this project. Evaluators will be asked to focus on the following issues:

Relevance of the DFM analytic framework to Agency policy and program interests.

How best can the concepts of public choice, new institutional economics and public finance economics be tested in the context of on-going country programs.

How well is the DFM analytic framework understood by Mission and host country government officials, and how successful has DFM staff been in articulating the research framework to Mission and HC officials.

Has the DFM focus on rural infrastructure maintenance provided the most relevant context for testing project concepts and theoretical frameworks.

B. Specific Questions to be Answered by the Evaluation

Team

1. Extent to which the incentives and rewards structure and environment in A.I.D. juxtaposed against the incentives and rewards environment for research create a tension that mitigates against a supportive enough environment to carry out a long-term research agenda in a USAID mission.
2. Extent to which the theoretical underpinnings of the research, i.e., public choice, new institutional economics, and public finance economics, as well as the implementint framework for this research, have been clearly articulated in DFM activities.
3. Relevance of analytical tools used in public choice, new institutional economics, and public finance economics, in addressing Mission problems in rural infrastructure maintenance, i.e., roads, irrigation, and natural resources.
4. Policy and program implications of having used certain analytic tools in illuminating choices among alternative ways to structure institutional arrangements and incentives for provision (including funding) for selected rural infrastructure.
5. Extent to which the specific research objectives, as set forth in the state-of-the-art paper and the research prologue, are being accomplished.
6. Extent to which data have been collected that indicate a move toward advancing the theory, knowledge base, and methodological approach of the research strategy.
7. Extent to which the research framework is adequately communicated and interpreted to Mission staff and host country officials.
8. Extent to which research staff has forged links with host country officials to ensure that the analytical tools used in the research agendas and implementing frameworks will be sustained in solving rural infrastructure problems.
9. How effective are dissemination and networking efforts in deepening the understanding of research tools and methods.
10. What are the indicators that DFN research and project activities are generating policy

recommendations on generic decentralization, public finance and recurrent cost problems and issues.

11. What are the indicators that DFM research and project activities are generating guidelines on decentralization for both the countries in which it works and for general use in LDCs.

V. Methods and Procedures

A. Methods: The evaluation team will begin its work by reviewing internal secondary and contextual data. Documents to be reviewed will be basic design documents, including the Project Paper, Awards Contract, Management Portfolio Review, Annual Workplans, Research Prologue, State-of-the-Art Paper, and all project related publications. The team will conduct interviews, using its own type of interview schedules, with key AID/W staff, ARD staff in Burlington, Vermont, Indiana University research staff in Bloomington, Indiana, and Syracuse University staff in Syracuse, New York. It will be determined before the evaluation starts whether interviews with Syracuse University staff will be conducted in person or by telephone.

The evaluation team will also review external secondary and contextual data relevant to this project found in the USAIDs participating in this project. The team will also conduct interviews with principal USAID officers involved in this project. Since the team will only travel to two of the participating countries, structured interview questionnaires will be prepared by the evaluators for a mail-in and return from other participating USAIDs. Where appropriate, the evaluators will use the telephone to complete field questionnaires.

B. Timing: This evaluation will be carried out over an eight week period of time beginning February 18 and ending April 13, 1991. The evaluators will begin by reviewing AID/W briefing book materials prepared by the D-P1 project officer. Included will be a list of key AID/W persons to be interviewed. Evaluators will next travel to Burlington, Vermont to review briefing book materials prepared by ARD senior program officer. Included in that briefing document will be a list of key ARD persons to be interviewed.

February 18-23: During this first week the team will review AID/W documents and conduct interviews with AID/W staff involved in this project.

February 25-March 2: The team will review documents and conduct interviews with prime and sub-contract

staff in Burlington, Vermont and Bloomington, Indiana.

March 4-March 23: Weeks three, four, and five will be spent traveling to and from Bangladesh and Nepal to conduct interviews and review all relevant documents on mission buy-in activities to DFM.

March 25- March 30: Week six will be used to prepare draft evaluation report, including executive summary of findings, conclusions, and recommendations. Team will inform S&T/RD of its debriefing presentation with S&T/RD and ARD to be scheduled during the early part of the week of April 1-5.

April 1- April 6: During the seventh week the team will travel to AID/W for an oral debriefing. Information and data from this debriefing will constitute the primary source for revisions to the draft evaluation report.

April 8-April 13: During this last week of the evaluation the team will revise the draft report for final submission to S&T/RD on April 15. No second debriefing or trip to AID/W is anticipated.

VI. Evaluation Team Composition and Level of Effort

The evaluation team will be composed of a political scientist with experience in political economy, new institutional economics, and public choice theory and a development economist with experience in rural development economics. The political scientist, who will be designated team leader, will have experience working with both AID/W and field missions in areas of research project design, implementation, and evaluation.

The team leader will have primary responsibility for liaison between the team and A.I.D. as well as between the team and ARD. The team leader will also have primary responsibility for preparation, presentation and submission of the draft and final evaluation report to S&T/RD. In addition, the team leader will have primary responsibility for incorporating the public finance economics component, prepared by the development economist, into the larger report.

The development economist team member will have primary responsibility for analysis of all data and information on the public finance economics component of the project, bearing in mind that it is not a separate report.

The level of effort required to conduct this evaluation is eight weeks or 47 working days by each of the two persons. Each team

member will work a six day week beginning February 19, 1991 and ending on April 13, 1991. No holiday breaks are anticipated in this work schedule.

VII. Reporting Requirements

A. The Agency's required format for evaluation reports includes (1) Executive Summary of evaluation findings, conclusions, recommendations, and lessons learned. The executive summary should not exceed five pages and should be self contained. Acronyms should be first spelled out. Unnecessarily complicated explanations of research and project buy-in activities should be avoided. The interested reader will find this information in the full evaluation report. All critical facts and findings must be laid out in the summary because many readers will have time to read only the executive summary.

The body of the evaluation report will include discussion of the following:

1. Purpose of the research project and its relevance to overall Agency strategy and development goals. Specify the problem, then, specify solutions, or alternatives to addressing the problem.
2. Purpose of the evaluation and the methodology used. Explain why this evaluation was undertaken. Briefly describe the types and sources of evidence used to assess effectiveness and impact.
3. Discuss major findings and interpretations related to the issues, concerns, and questions raised in the scope of work. Note any major assumptions about buy-in levels, Mission interest and commitment, research implementation, etc. that have proved to be invalid, unrealistic, and/or overly ambitious, including Agency and Contractor structural and incentive constraints.
4. Specify the pertinent conclusions for the Agency regarding design and management of this research project, and recommendations for approval or disapproval and fundamental changes in the direction of the project. Address the charge laid out in the scope of work regarding design changes or a Phase II follow-on with new procurement.
5. The lessons learned section of the report provides the opportunity to advise the project officer and prime contractor about planning and implementation strategies regarding buy-ins, pilot research activities, dissemination of research findings, etc.

B. The evaluation report should not exceed 40 pages, including the executive summary. Appendices should include a list of persons interviewed, documents reviewed, the evaluation scope of work, and a copy of the logical framework from the Project Paper. Standard type, not dot matrix, should be used in preparation of the draft and the final report. The final report is to be submitted not later than thirty days following the oral debriefing.

1. The evaluation team will provide its own administrative support for preparation of the draft and final evaluation report.
2. The evaluation team will provide its own office space for preparation of the draft and final evaluation report.

VIII. Financing Arrangements:

On September 28, 1987, Associates in Rural Development, Inc., signed a contract as the prime contractor for the DFM project. The sub-contractors, responsible for all research requirements under the project, are Indiana University and Syracuse University. S&T core funding provides for overall administration of the applied research and field work, for elements of research that cut across individual mission projects and programs, for comparative state-of-the-art work, for donor and LDC coordination and exchange, for publications and dissemination, and for part of training design and support costs.

Field work in a particular country, technical assistance, training, workshops, or related activities, is USAID funded. Mission buy-ins flow, principally, from project monies, however, there are some instances in which PD&S monies are used for buy-ins to support analysis for strategy, program analysis, and project development. At the PP stage, one assumption made was that DFM could achieve its aims only through an unusually strong partnership with USAID missions and projects, and that the project would work most closely with USAID buy-ins in a range of one to three million dollars to conduct long term, in-depth research.

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